Austria ... Sch. 20	Indonesia .. Rp 2500	Portugal ... Esc 90
Bahrain .. Din 0.650	Italy ...... L 1500	S. Arabia .. Rls 6.00
Belgium ... BFr 45	Japan Y650	Singapore . S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain .... Pta 125
Cyprus ... C£0.70	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. DKr 8.00	Lebanon .. £L 6.00	Sweden .. SKr 7.00
Egypt ..... E£1.00	Luxembourg .. LFr 45	Switzerland SFr 2.20
Finland .. Fmk 6.50	Malaysia .. Rlr 4.25	Taiwan ... NT $35
France .. FFr 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.800
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 250
Greece ...... Dr 80	Netherlands . Fl 2.75	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr 7.00	U.S.A. $1.00
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,852

Tuesday February 11 1986

Rebuke for Ottawa's policies by money markets, Page 5

World news

Tehran launches Gulf war offensive

Iran has launched a major, two-pronged offensive in the Gulf War, its first for 11 months. Last night it said its forces had reached the Iraqi west bank of the key Shatt al-Arab waterway.

Iraq said hundreds of Iraqi tanks and vehicles had been captured or destroyed. Iraq, meanwhile, said it had halted the advance's momentum and inflicted heavy casualties. Page 4

Shcharansky swap

Anatoly Shcharansky, the Soviet dissident, is to be released today by the Soviet Union in an East-West prisoner exchange on Glienicker Bridge, connecting West Berlin and East Germany. Page 3

Haiti elections

Haiti's new military ruler, Lt Gen Henri Namphy, pledged to hold general and presidential elections and formally banned the infamous Tontons Macoutes militia. US praises Haiti, Page 5

El Al protection

Israeli Defence Minister Yitzhak Rabin said Israel could protect its El Al airline flights against threatened Libyan interception without help from the US. Greece has agreed to re-route some El Al flights to counter the threat.

Peres dispute

Israeli Prime Minister Shimon Peres has sparked a political dispute by arguing in favour of granting more local powers to the 1.3m Arabs in the occupied West Bank. Page 4

Mandela 'delay'

Winnie Mandela, wife of jailed black nationalist leader Nelson Mandela, dampened speculation that he was about to be released and said he may well be freed in the middle of the year. South African deaths: Page 4

Indian prices protest

Protests over price rises paralysed New Delhi as mobs stoned buses, and schools, offices and markets closed. The Press Trust of India said more than 1,300 people were arrested.

Helicopter crashes

A French navy helicopter with 14 people aboard crashed in stormy weather off Corsica. Port officials held little hope of finding survivors.

Party's progress

An Irish political party founded only seven weeks ago could win 25 per cent of the vote if elections were held now, according to an opinion poll. Background, Page 2

Polish draft plan

A draft political programme covering the Polish Communist Party up to the end of the century has reaffirmed support for the country's decentralising reforms. Page 2

Bail for banker

Count Ferdinand von Galen, the banker facing charges over the near-collapse of West Germany's SMH bank, is to be released on bail of DM 10m ($4.2m). Page 3

UN efforts praised

UN efforts to bring about a peace settlement in Cyprus were praised by Cypriot President Spyros Kyprianou and Greek Prime Minister Andreas Papandreou.

Print union fined

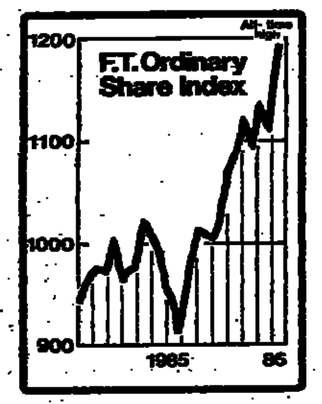
The UK print workers' union Sogat '82 was fined £25,000 ($35,000) by the High Court and an order was made for the sequestration of its £17m funds over the union's dispute with Rupert Murdoch's News International.

Business summary

Vantona steps in with $1bn Coats bid

COATS PATONS, the Scottish textiles group which last week agreed to a takeover bid by Dawson International, has changed its mind and agreed to a rival £734m ($1.03bn) offer from Vantona Viyella. The merger would result in one of the world's biggest fibres-to-clothing groups with annual sales of £1.69bn. Page 24

WALL STREET: The Dow Jones industrial average closed 12.96 up at 1,626.38. Page 46



LONDON: Special situation issues prospered in London yesterday. Gilts were also firmer. The FT-SE 100 rose to a record 1,461.5, up 18.5, while the FT Ordinary share index rose 7.6 to a record 1,187.7. Page 44

TOKYO: Speculative buying pushed shares to their fifth consecutive record. The Nikkei average added 13.94 to 13,228.07. Page 46

DOLLAR was weaker in London, falling to DM 2.3855 (DM 2.402), SFr 2.006 (SFr 2.0225), FFr 7.31 (FFr 7.36) and Y188.15 (Y190.85). On Bank of England figures the dollar's exchange rate index fell to 122.4 from 123.3. Page 39

STERLING gained 90 points against the dollar in London to $1.4085 but fell to DM 3.36 (DM 3.3625), SFr 2.825 (SFr 2.84), FFr 10.295 (FFr 10.3) and Y265.0 (Y267.0). The pound's exchange rate index fell 0.3 to 74.1. Page 39

GOLD rose $3.50 on the London bullion market to $340.00 and was $2.50 higher in Zurich at $340.25. In New York the Comex April settlement was $340.80. Page 38

FRANCE'S economy expanded last year by a modest 1.3 per cent in real terms compared with 1.9 per cent in 1984, according to figures published by Insee, the official statistics institute. Page 3

NORWEGIAN Government's revenues from oil taxes are expected to be halved this year as the sharp fall in prices hits the sector accounting for half the country's export earnings. Page 3

COCOA exporting and importing countries have their last chance over the next three months to agree on a new International Cocoa Agreement, the chairman of the United Nations Cocoa Conference warned in Geneva. Page 38

DAIMLER-BENZ of West Germany plans to sell its stake in Metallgesellschaft to comply with a condition on its proposed takeover of AEG. Page 25

SOURCE PERRIER, leading French mineral water group, boosted net profits to FFr 241.3m ($32.8m) in the year ended September 30 from FFr 195.5m in the previous 12 months. Page 25

OCCIDENTAL PETROLEUM, Los Angeles-based oil group, reported a 22 per cent rise in profits last year following a $261m extraordinary gain from federal income tax benefits. Page 25

ERICSSON, Swedish electronics group, reported a 45 per cent fall in pre-tax profits last year to SKr 865m ($114m) from SKr 1.57bn. Page 25; Lex, Page 24

VOLVO has extended its SKr 3.3bn ($438m) offer for Cardo, Swedish investment and industrial holding company, for another week. Page 25

Thatcher supporters rally to quell Tory dissension

SUPPORTERS of Prime Minister Margaret Thatcher yesterday tried to calm the feverish, nervous mood of Conservative MPs after a weekend of open clashes between ministers about the British Government's future strategy and style, writes Peter Riddell, Political Editor, in London.

Conservative MPs and ministers returning to Westminster yesterday acknowledged the damaging impact which the current airing of differences is having, both on the Government and on Mrs Thatcher's own authority, further fuelling speculation about her leadership.

The official line is that Mrs Thatcher is not going to change her style or way of running the Government and that she intends to carry on as Prime Minister well into a next term.

After seeing Mrs Thatcher yesterday, Mr Norman Tebbit, the Conservative Party chairman, said he thought "as soon as the party settles down, its prospects will be enormously good. It needs to get on with the business of governing, selling our policies and exposing to the public what are the policies of the opposition."

Both Mr Tebbit and Lord Young, the Employment Secretary, sought to minimise the extent of disagreement in weekend speeches by Mr Peter Walker, the Energy Secretary, Mr John Biffin, leader of House of the Commons, and Mr Michael Heseltine, the former Defence Secretary.

Dr David Owen, the Social Democratic Party leader, said it had been "one of the most damaging weekends that the Conservative party has had since the Profumo affair in 1963." But he believed that the Conservatives' herd instinct would be asserting itself very hard, while Mrs Thatcher still had the heart strings of the activists. He thought there would be a move for unity and to stop the recent disarray.

After the extraordinary events of recent weeks, there could be a lull as Mrs Thatcher and her allies, including sympathetic backbenchers, try to stabilise the position and rally support.

However, such is the uncertainty and doubt among Conservative MPs that some experienced figures now believe that the present condition is unstable, and that Mrs Thatcher's position could again come under question after a by-election for a vacant Conservative seat at Fulham, London, and elections in May for local councils. The Conservatives are gloomy about both.

Moreover, Conservative spirits would not be improved by a survey of four marginal constituencies which, when roughly translated on to a national basis, puts Labour in the lead at 39 per cent, the Alliance at 33 per cent and the Tories at 27 per cent.

Mr David Steel, the Liberal leader, claimed that this indicated yet again that the most probable outcome of the next election is a parliament in which no party has a majority. The election must be held by June 1988.

The arguments among ministers cover both presentation and policy and many ministers share Mr Biffin's view that Conservative leaders, and in particular Mr Tebbit, need to avoid being raucous and aggressive in order to win uncommitted voters and potential alliance supporters.

It is clear that Mrs Thatcher's allies were irritated by Mr Biffin's words and were trying to present him as a slightly eccentric figure not quite in politics and fond of sending rather detached letters. Mr Tebbit yesterday sought to shrug off Mr Biffin's warning by claiming that it was directed at the Labour party. Mr Biffin's letter was explicitly addressed to his own constituency party.

The Government faces continuing pressure over the Westland helicopter affair and the cross-party Defence Select Committee will meet today to consider whether to recall witnesses in view of serious allegations made last week by Mr Heseltine.

Marcos set to retain power as claims of fraud intensify

BY CHRIS SHERWELL AND SAMUEL SENOREN IN MANILA

PRESIDENT Ferdinand Marcos appears certain to retain power under the rules of last Friday's presidential election, but popular protests at alleged fraud have begun to intensify.

Thousands of shouting people crowded outside the National Assembly, under the eye of steel helmeted police last night, as assembly members began the official count of election returns.

In Manila's business district, a young supporter of Mrs Corazón Aquino, Mr Marcos' opponent, was shot dead by a sniper. He was part of a large opposition group travelling to the assembly.

Two unofficial "big counts" of Friday's votes continued to return *different running totals*. The Commission on Election (Comelec), said Mr Marcos was leading, while the competing National Movement for Free Election, (Namfrel) put Mrs Aquino ahead.

Mr Marcos said yesterday both organisations will continue their count, despite the start of the assembly's official count. Comelec officials said a walkout by technicians on Sunday, apparently in protest at alleged manipulation of its count, was an "opposition plot."

Assembly members in Mr Marcos' ruling New Society Movement (KBL) confirmed yesterday that the president would be expected to win Friday's election. Opposition challenges of the election return would be voted down by the KBL and Mr Marcos would be proclaimed victor.

Only then would Mrs Aquino be able to contest the outcome through the Presidential Election Tribunal, a nine-member body consisting of three KBL members, three opposition MPs and three supreme court justices appointed by Mr Marcos.

Yesterday's session became bogged down in procedural argument. The count is expected to take longer than a week and the whole process could last months.

The shooting in Manila took the *death toll in the election campaign* to 94 since December 6 and 43 since polling began last Friday.

A US Congressional delegation, meanwhile, reported "disturbing" efforts to undermine the electoral process, but in his comments, Senator Richard Lugar, its co-head, was more restrained than in previous days. "'Clean' in its absolute form is obviously not an appropriate word to describe what we have observed," he said.

Feature, Page 23

US urges two sides to work together

BY REGINALD DALE, US EDITOR, IN WASHINGTON

THE WHITE HOUSE yesterday expressed concern about allegations of election fraud in the Philippines and called on both sides to "work together to form a viable government without violence."

While the White House declined to comment on the possible outcome, it appeared to be suggesting that President Ferdinand Marcos must somehow accommodate the opposition with the kind of political, economic and military reforms that the US has long been demanding.

At the same time, Mr Larry Speakes, the White House spokesman, appeared to be appealing to Mrs Corazon Aquino, the opposition candidate, to work with Mr Marcos and not to condone violent demonstrations, if he continues to cling to power.

Mr Speakes added, however, that he was not suggesting that the election should result in a coalition government. "The basis exists for a strong, two-party system," he said.

Nevertheless, the continuing electoral confusion clearly risks undermining one of the Reagan Administration's main policy objectives – the hope that the poll would produce a winner with a clear enough mandate to introduce the needed reforms.

Before the elections, US officials said that they did not mind who won, provided that the winner moved swiftly to revamp the armed forces in their fight against the Communist insurgency and to restore genuine free enterprise to the economy.

Washington believes that, only if such reforms are undertaken, will it be possible to restore prosperity, contain the insurgency and maintain security for the strategic US military bases. Free and fair elections were meant to be the first of the reforms.

The original expectation in Washington was that Mr Marcos would win the elections easily enough not to have to indulge in massive manipulation of the results. Washington could then try to persuade him that he had a mandate for change and try to set genuine reforms in motion. In any case, he might soon leave office because of ill-health.

The problem now is that, if Mr Marcos manages to maintain his hold on power, it will hardly be possible to claim that he has a popular mandate. It will also be extremely difficult for the US to come to his aid because of the extent of electoral fraud and manipulation that is believed to have occurred.

Senator Richard Lugar, the leader of the US team of election observers, is due to report to President Ronald Reagan today. But he has already made clear that he has grave doubts about many aspects of the poll.

Mr Reagan has promised increased US aid for the Philippines, but only if the elections were "credi-

Continued on Page 24

European grouping's Westland bid fails

By Lionel Barber in London

THE BATTLE over the future of Westland, the ailing British Helicopter group, appeared to have swung in favour of the board's favoured rescue plan from Sikorsky and Fiat last night after the rival European aerospace consortium declared its tender offer to shareholders void.

The tender offer of 130p a share was aimed at blocking the Sikorsky/Fiat rescue plan which will be put to the vote at a shareholders' meeting in London tomorrow.

But the tender, which required at least 20.2 per cent support from shareholders to take effect, drew a disappointing response. It is understood that it attracted shareholders speaking for less than 8 per cent of Westland's equity.

Sir John Cuckney, Westland's chairman, declined to comment on the failure of the consortium's tender or on the prospects for the Sikorsky/Fiat plan which requires a simple majority vote.

Yesterday Sir John met with M&G, the British fund management group holding 7.5 per cent of the ailing British helicopter company. M&G's vote could be decisive at tomorrow's meeting. So far it has backed the Westland board.

Mr David Horne, managing director of Lloyds Merchant Bank, financial advisers to the consortium, described the response to the tender as "disappointing." But he insisted that the European proposals to take a minority stake in Westland were still the best solution for the company.

Mr Horne said that if the consortium's rescue plan was implemented, those shareholders who had been prepared to sell would still receive 130p a share for their shares.

The tepid response from small shareholders took some market observers by surprise. At 130p a share, the tender was priced between 10p and 20p above the prevailing market price over the past two weeks. Westland shares closed yesterday at 110p, unchanged from Friday.

One of the main reasons for the failure of the tender was the decision by two European consortium supports, Mr Alan Bristow (17 per cent) and United Scientific Holdings (5 per cent) not to offer all or part of their shareholding. This would have taken the consortium over the critical 20.2 per cent mark.

By yesterday afternoon, the Westland board and its advisers Lazard Brothers had counted the proxies lodged in favour or against the rescue plan from Sikorsky, the US helicopter maker, and Fiat of Italy. The response is believed to have been encouraging.

According to calculations within the rival camps, the consortium speaks for about 28 per cent of Westland. Sikorsky/Fiat can speak for just under 30 per cent.

The balance rests with M&G and small shareholders. M&G has made it clear that it would prefer to see a takeover bid launched either by Sikorsky or by the consortium which comprises British Aerospace and GEC of the UK, Aerospatiale of France, Agusta of Italy and Messerschmitt-Bölkow-Blohm of West Germany.

M&G has voiced disquiet about the decision by Sikorsky to buy shares in Westland at premium market prices in an effort to swing tomorrow's vote.

$ at eight-year low against yen

BY GEORGE GRAHAM IN LONDON

THE DOLLAR fell yesterday to its lowest level against the yen since 1978. After an early slide in the Far East the dollar remained weak throughout the day, also losing ground against European currencies.

After breaking through the psychological barrier of Y190 the dollar slipped at one point to Y187.75. It recovered to end the day in London at Y188.15.

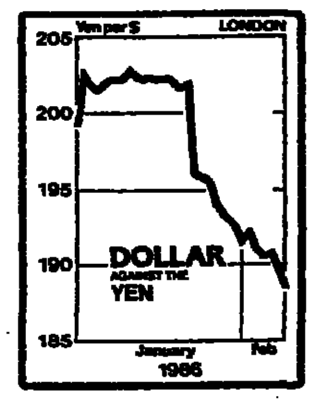
The yen has risen strongly since finance ministers from the Group of Five major industrial nations agreed in New York last September to take concerted action to bring down the value of the dollar. Since then it has gained more than 27 per cent against the dollar, faster than other major currencies.

In the last two weeks it has advanced further from an exchange rate above Y200 to the dollar, despite a cut in the official Bank of Japan discount rate. Last week, however, Mr Satoshi Sumita, Governor of the Bank of Japan, said he felt the yen had been rising "a little too fast."

Brokers said foreign exchange trading had been thin yesterday as a result of Chinese new year holidays in Far Eastern markets and today's holidays in Japan and West Germany. Dealers were also nervous that central banks might intervene to slow the dollar's fall against the yen.

Sterling remained stable yesterday, gaining 1 cent against the dollar but losing ground against European currencies.

Alexander Nicoll in London writes: An urgent call for the pound to join the exchange rate pegging mechanism of the European Monetary System came in London last night from Mr Wilfried Guth, chairman of the supervisory board of Deutsche Bank, West Germany's largest bank.



In a speech to the European-Atlantic Group at the House of Commons, he said Britain would benefit because the pound would fluctuate less and the burden of defending it when necessary would be shouldered by central banks within the system.

The advantages to be gained by Britain and its partners, including greater stabilisation of the international monetary system, would outweigh the difficulties which could be caused by the pound's vulnerability to oil price fluctuations, Mr Guth said.

Money markets, Page 39

Paris plan to steady currencies

BY DAVID HOUSEGO IN PARIS

PROPOSALS for achieving more stability in the foreign exchange markets by gradually moving from co-ordinated intervention by central banks to a system of setting target zones for the major currencies, have been outlined by Mr Daniel Lebegue, Director of the French Treasury.

The proposals come in the wake of President Ronald Reagan's recent expression of interest in the convening of an international monetary conference and at a time when French officials sense a fresh openness in the US Treasury to ideas that might contribute to prolonging the dollar's "soft landing."

The proposals are likely to be the first steps in an increasingly intensive French lobbying over promoting exchange rate stability in advance of the April meeting of the IMF's interim committee which is due to discuss currency issues. The exchange rate question is also expected to be on the agenda of the Tokyo summit of industrialised nations in May.

French officials believe that a more substantive mechanism is needed to ensure more stability in the foreign exchange markets than the current de facto intervention of central banks. But they do not go as far as advocating a return to a system of fixed exchange rates.

Mr Lebegue proposes in a paper that reflects official French thinking that reference zones for the major currencies could initially be set in consultation between ministers of finance and central bank governors on an experimental basis. The broad aim would be to set exchange rates at levels that were compatible with a pattern of stable balance of payments.

In an initial stage, the zones of reference would be kept confidential and allow for a wide margin of 5 to 10 per cent from a central value. Officials of the major countries would consult over any significant deviation.

Later on, Mr Lebegue proposes the system would have to incorporate restrictive measures to ensure that currencies remained within their reference zones. Such measures could range from publicity-

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NEW POLITICAL PARTY LEAPS TO PROMINENCE

Irish bandwagon takes off at speed

BY HUGH CARNEGY IN DUBLIN

"I BELIEVE that Irish politics must be transformed. Experience tells me that no such transformation will come from within the existing parties. It must come from outside. There must be a new beginning."

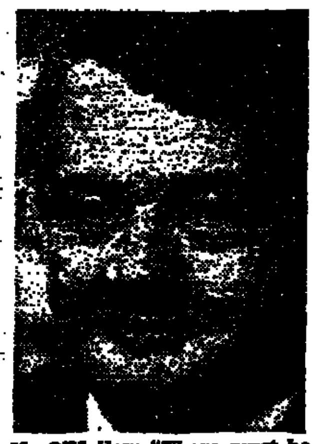
When Mr Desmond O'Malley, a former cabinet minister expelled from the opposition Fianna Fail party, launched his Progressive Democrats with those words last December 21 he could scarcely have imagined the speed with which the public would respond.

Less than two months later, Mr O'Malley has three colleagues alongside him in the Dail, a membership of 14,000 and in the latest of a series of startling advances that have transformed the Irish political equation within a matter of weeks, his party was placed ahead of the main government party in an opinion poll published yesterday.

The poll, conducted for the Irish Times by the Market Research Bureau of Ireland, gave the Progressive Democrats, or "Progos" as they are becoming known, 25 per cent of the popular vote, two points ahead of Fine Gael, led by Dr Garret FitzGerald, the Prime Minister.

Mr Charles Haughey's Fianna Fail still led the field with 42 per cent, but, like Fine Gael, it suffered a marked slide since the last poll in November. Support for the Labour Party, Fine Gael's coalition partner since 1982, had collapsed to 4 per cent.

On the basis of yesterday's poll, Mr O'Malley reckoned his party could win as many as 41 of the Dail's 166 seats at the next election due sometime next year. That may yet turn out to be over-optimistic, but certainly most of the political talk in Dublin now is of whether Fianna Fail can any longer win an outright majority and of the prospects for a Fine Gael Progressive Democrat coalition.



Mr O'Malley: "There must be a new beginning."

Mr O'Malley, a 47-year-old solicitor from Limerick, was thrown out of Fianna Fail last March for refusing to vote against a Bill liberalising contraceptive laws. His departure ended a long period of disaffection with Mr Haughey's leadership.

He went ahead with the new party when he was joined by Miss Mary Harney (32), a Dublin MP expelled from Fianna Fail, for voting in favour of the Anglo-Irish agreement on Northern Ireland.

The momentum behind them was greatly boosted when two more Fianna Fail MPs resigned to join them in mid-January. They were Mr Pearse Wyse, from Cork, and Mr Bobby Molloy, a front-bencher from Galway.

As the bandwagon has gathered speed, crowds of up to 3,000 have attended public meetings in Cork, Galway, Dublin and Limerick. Some 2,000 packed Dublin's Mansion House in late January. The audience ranged across all age groups, though most looked to be in the middle- to upper-income bracket. Party officers say 40 per cent of members are women, about one-third have no previous involvement in politics and those that have divide evenly between former Fine Gael and former Fianna Fail supporters.

The Mansion House audience appeared thoughtful and critical, but enthusiastically applauded most of the main planks of the Progressive Democrat message.

A key part of this is the desire to get away from "Civil War politics," a reference to the roots of Fine Gael and Fianna Fail. Fine Gael were the "Free Staters" who worked within the 1920 Act which partitioned Ireland. Fianna Fail grew out of Sinn Fein which fought bitterly and bloodily against the Free State Government for accepting partition.

To this day, Fine Gael and Fianna Fail are split far less by left-right ideological differences than by their different nationalist traditions, a trait which the Progressive Democrats feel alienates many young people.

Mr O'Malley drew a keen response to his passionate advocacy of spending cuts and free enterprise policies that would see a drastic reduction in the role of the state and an emphasis on wealth creation.

The Irish "look to the state as the place of first refuge rather than one of last resort . . . the direction in which we should now aim is to reduce our level of dependency on the state," he said.

Espousal of such "New Right" economics is central to the Progressive Democrats, but in the end they may not prove overly popular.

However, the party's appeal to the young especially is immensely enhanced by Miss Harney whose forthright style and call for compassionate social policies balances Mr O'Malley's economic conservatism.

The image of the party as an anti-Haughey Fianna Fail splinter group could yet limit its support, but the rush of public support from all sides seems to have lessened this danger. They would still like to attract a top-line Fine Gael figure to their ranks, though.

Like the Social Democrats (SDP) in Britain, the party is benefiting from wide-spread disillusion with the poor economic performance of the two main parties, but may struggle when the euphoria wanes and wrangling over detailed policymaking begins.

Unlike the SDP, though, the Progressive Democrats know that, under Ireland's system of proportional representation, they are assured of a representation in the Dail consistent with their share of the vote. That knowledge gives Mr O'Malley and his team an extra edge of confidence — and equally has sent a tremour of apprehension through the old parties.

Polish party plan backs reforms

By Christopher Bobinski in Warsaw

A DRAFT political programme for the Polish Communist Party up to the end of the century which is to be approved by June has reaffirmed support for the country's decentralising economic reforms.

It assumes that a falling workforce, shortages of raw materials, and the continuing burden of servicing the large foreign debt all make the shift to a more efficient economy vital.

The programme reiterates with some force that wage differentials must be widened to reward efficient production, and it even quotes Lenin to deflect hardline criticism on this issue. This is one of the more contentious questions facing the Government which maintains that the majority of the population wants a more equal distribution of incomes and is thus opposed to the reforms.

The economy's structure is assumed to evolve towards technologically advanced manufacturing industry at the expense of raw materials' extraction and heavy industry.

As for agriculture, the programme seeks to soothe the fears of private farmers by mentioning the development of larger private family farms.

Small-scale private business, by comparison, fares less well, with only perfunctory mention in the programme which speaks of strengthening the state sector. This contrasts with the view of many economists who feel that expansion of the private sector could plug many supply gaps.

Voest-Alpine rethinks Oki microchip venture

BY PATRICK BLUM IN VIENNA

VOEST-ALPINE, Austria's state-owned steel, engineering, electronics and trading group, is to re-examine its plans to establish a large joint-venture microchips factory in Austria with Oki Electric Industry of Japan, the company said yesterday.

The $285m deal was signed last May by Voest and Oki and was heralded as a breakthrough by the Austrian group in attracting high-technology investment in Austria.

The deal has, however, been plagued by bad luck, and its future became uncertain after the local council where the plant was to be built unexpectedly refused planning permission. Voest's recent financial difficulties put a further question mark over the project.

In November, the group announced record losses of Sch 5.7bn ($335m) due in large part to speculation on the oil market by its trading subsidiary.

The scale of the losses shocked ministers and public opinion and the group's chief executive and board of management were forced to resign. A temporary chief executive has been appointed but the group still lacks a management board.

The Government has made clear that new subsidies for the company will be made available only when the new management sets out a full re-organisation plan for the group. In the meantime, projects such as the one with Oki have been set aside.

Mr Rudolf Kirchweger, Voest's temporary chief executive, said yesterday that the original deal had expired

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EUROPEAN NEWS

Italy's employers see chance of big drop in inflation

BY JAMES BUXTON IN ROME

THE FALL in the world oil price gives Italy an unrepeatable chance to achieve a big drop in inflation without penalising growth or putting the balance of payments at risk.

This is the view of Confindustria, the Italian private sector employers' association. In a study by its research department it says that the lower oil price should make it possible for Italy to bring its inflation rate down from last year's 8.6 per cent to the Government's target of 6 per cent this year without the sacrifice of other policy objectives.

The Confindustria report came as Istat, the Government's statistics bureau, reported that Italy had a record trade deficit in 1985 totalling L23,023bn (£10.18bn), compared with a deficit of L19,135bn in 1984. In December, the trade deficit was L1,940bn compared with a deficit of L3,000bn the previous month. Imports in 1985 rose by 16.6 per cent and exports by 16 per cent.

Informal estimates suggest that a crude oil price of about $20 per barrel and a lira-dollar rate of L1,600, would cut about L10,000bn off Italy's trade deficit this year. The same factors ought to put the current account into equilibrium this year, compared with a deficit for last year estimated at around L10,000bn.

Confindustria says that not only should the government meet its inflation target, but it *should be able to do so while* ensuring gross domestic product growth of about 2.5 per cent, compared with an estimated 2 per cent achieved last year.

Previously, Confindustria thought the inflation rate decline could not have been achieved without some slowing of GDP growth. Alternatively, if growth had been preserved, then the balance of payments would have suffered.

It goes on to say that if the trend of wages follows the course the Government has set for it, and if public spending keeps to lines laid down in the new Finance bill for this year, then inflation could actually fall below the target.

However, Confindustria warns that the Italian economy needs structural improvements when it is considered that equilibrium on the balance of payments would only just be achieved this year in highly favourable external circumstances. Italy, it says, has tended to import too much in recent years, while its exports have just held their ground on foreign markets.

OECD says Norway oil tax revenues could be halved

BY DAVID LENNON

THE NORWEGIAN government's revenues from oil taxes are expected to be halved this year as the sharp drop in oil prices hits the sector which accounts for half of the country's export earnings.

A price of less than $20 for a barrel of oil would test the degree to which the Norwegians are able to maintain their *record economic performance of* recent years.

The recovery since 1983 was originally export-based but then spread to domestic demand, although that was clearly fuelled by the oil revenues which are now falling.

However, all is not lost, according to the latest Organisation for Economic Co-operation and Development report on the Norwegian economy. Though most of its findings, and certainly most of its predictions, will have to be amended as a result of the latest events in the oil market, it does have something to offer with regard to the rest of the economy.

Referring to the economic recovery which began in 1983, the report notes that "a favourable feature is the performance of the traditionally weak manufacturing sector, where output, productivity and investment have revived markedly."

The OECD overview noted that output growth is likely to continue in the near-term, and unemployment, a major issue for the government, should remain low.

But it goes on to warn that "strong growth and low unemployment by international comparison owe much to expansionary demand management policies made possible by growing oil revenues."

Current estimates show that the fall in oil prices may have a disastrous impact on the trade balance. In 1984 Norway enjoyed a surplus of NKr 43bn (£3.7bn). With oil and gas, it would have suffered a deficit of NKr 35bn.

The decline in oil prices clearly means that the country could be facing the elimination of the trade surplus, and possibly the beginning of a deficit on the current account.

In the 1920s, Norway was the poorest country in Western Europe, but, thanks to the North Sea, it was the only country in the OECD which recorded a surplus on the balance of payments and in the government budget in each of the past five years.

However, despite the real problems posed by the decline in oil revenue, Norway is fortunate in that its industrial sector has *utilised* the funds available to expand overseas.

The OECD report notes that while the upward trend in the economy since 1983 was at first confined to the export sector, "the upswing gradually broadened to the rest of the economy, and is now mainly driven by domestic demand."

Nonetheless, a worrying note was struck about the economy's increasing dependence on oil activities just as the medium-term prospects for revenues have become much less favourable.

The report recommended restraint in public expenditure, improvement in tax collection, and policies to strengthen the supply side of the economy.

US companies oppose oil import tax, Page 5

Shcharansky release confirmed

THE RELEASE today of Mr Anatoly Shcharansky, the 38-year-old Soviet dissident, was confirmed yesterday. He is to be released by the Soviet Union in a long-awaited East-West prisoner exchange on Glienicker Bridge connecting West Berlin and East Germany, *writes Leslie Colitt in Berlin.*

A spokesman for the US mission here said the exchange at midday would include five people on either side. Apart from Mr Shcharansky, they were understood to be imprisoned Eastern and Western agents. The Jewish dissident was accused of spying for the CIA, and Moscow only agreed to his release in the context of a spy swap.

Vehicles from both sides carrying the prisoners are expected to drive to the middle of the bridge where the exchange will take place. The US spokesman said Mr Shcharansky will be flown out of West Berlin from Tempelhof US air base. His destination is understood to be Tel Aviv.

Commission presses for youth exchanges

The European Commission wants to spend Ecu 30m (£19m) between 1987 and 1989 on stimulating youth exchanges among countries of the EEC, *writes Paul Cheeseright in Brussels.* The idea is to build up a sense of the European identity, so the Commission, to continue the jargon, wants exchanges to stress the European dimension.

If the 12 agree, 80,000 young Europeans would spend at least a week in a country other than their own finding out how other people do things. More limited programmes exist. There is an exchange programme for young workers and the Commission grants study awards—2,000 last year.

Von Galen freed on bail in SMH trial

BY JOHN DAVIES IN FRANKFURT

A FRANKFURT court yesterday freed Count Ferdinand von Galen, the once prominent West German banker, on bail of DM 10m (£3m) during his trial for fraud and breach of trust.

Count von Galen has been held for the past 14 months during investigations of problems which overwhelmed the private bank of Schroeder Muenchmeyer Hengst (SMH) in 1983.

During the investigations, a court refused to free him on bail of DM 18m for fear he might flee the country. But the Hesse state courtin Frankfurt yesterday granted a defence lawyer's bail reques

A spokesman for the defence lawyer in Munich said last night that Count von Galen would be freed from jail today if bank guarantees for the bail sum could be finalised in time. The public prosecutor could appeal to a higher court but this would normally take weeks.

SMH, of which Count von Galen was a partner, heavily over-lent to IBH, the construction equipment empire built up by Mr Horst-Dieter Esch. SMH was rescued by other banks and the healthy parts were sold to Lloyds Bank of the UK.

Mr Esch was sentenced in 1984 to three-and-a-half years jail. Mr Wolfgang Stryj, a former SMH partner was jailed last month for two years and three months, while another former partner and a senior employee were given suspended sentences.

Mr Hans Lampert, a former partner, is on trial with Count von Galen.

The SMH affair was one of West Germany's worst financial debacles since the Second World War.

European counterpart to Star Wars urged

By Bridget Bloom, Defence Correspondent

BRITAIN SHOULD join its European allies to promote a European counterpart to the controversial US Star Wars programme, or Strategic Defence Initiative (SDI), a leading British defence academic argues in a monograph published yesterday.

Mr David Greenwood, head of the Centre for Defence Studies at Aberdeen University, argues that rather than conclude a formal agreement to participate in the SDI programme, Britain should be part of a new initiative for the defence of European aerospace designed to produce defence systems to counter missiles posing a direct threat to Europe.

Europe will need protection from short or medium-range ballistic or cruise missiles and high-performance aircraft. Research and development spending already incorporated into European defence budgets could be firmly oriented to providing such defences collectively, Mr Greenwood says.

Such a European effort to "match" the SDI would be smaller in scope and scale than the US programme, to which it would be complementary—thus possibly also attracting funds from the US.

But it could provide a powerful impulse to technological advance within Europe. It would be less divisive within the alliance, and less prone to the problems of technology transfer than bilateral participation programmes, Mr Greenwood argues.

Mr Greenwood notes that Britain's bilateral agreement with the US, negotiated by Mr Michael Heseltine, the former Defence Secretary, last year, makes such a European programme less likely.

But he believes there is still widespread agreement within Europe on the need for European missile defences, and adds *that a co-operative European* effort would "be a powerful catalyst for intra-European arms collaboration on a grand scale." This is what Europe "really needs to safeguard its competence and competitiveness in military technologies and strengthen its defence industrial base," he says.

Soviet plan wins cautious Greek Cypriot support

BY ANDRIANA IERODIACONOU IN ATHENS

MR SPYROS KYPRIANOU, the Cypriot President, and Greek Prime Minister Andreas Papandreou, yesterday jointly voiced cautious support for a Soviet proposal to bring about a peace settlement in Cyprus.

The two leaders, meeting in Athens, hailed as "constructive" and a "positive step" a January proposal by Moscow for an international conference under UN auspices to end the 11-year military occupation of northern Cyprus by Turkey, and establish a united, demilitarised and independent republic on the island.

At the same time, they reiterated their commitment to an initiative in progress by the UN Secretary General, Mr Javier Perez de Cuellar, for a Cyprus peace settlement backed by Washington and London, and welcomed a recent EEC decision *to press ahead with stalled negotiations for a full customs union* between Cyprus and the EEC.

Moscow first put forward the idea of an international conference on Cyprus in 1974 after Turkey invaded the island in reaction to a coup there by the Greek junta. The January proposals represent the most extensively formulated presentation of Moscow's ideas on the final form that a settlement for Cyprus should take.

"The Soviet proposal basically reflects the views of the Greek and Cypriot Governments in that it calls for the withdrawal of foreign troops from Cyprus," Mr Papandreou said in a statement endorsed by Mr Kyprianou after yesterday's talks.

The suggestion, which came as a surprise when it was unveiled in Nicosia last month, has been rejected by the Turkish side. Although official reaction has been low key, it is also understood to be regarded warily in Washington.

French growth for year slows to 1.3%

By David Housego in Paris

THE FRENCH economy expanded last year by a modest 1.3 per cent in real terms compared with 1.9 per cent in 1984, according to initial figures published yesterday by INSEE, the official statistics institute.

But fourth-quarter real GDP increased by 0.6 per cent (2.4 per cent at an annualised rate), thus maintaining the same momentum as in the July-September period.

The slowdown in growth for the year as a whole reflected the decline in real GDP in the first quarter and a tailing off of exports.

Aliens' dispute in Spanish enclaves ends

LEADERS of residents of Moroccan origin in Spain's north African enclaves of Ceuta and Melilla reached agreement with the government yesterday to end a dispute over the application of a new aliens' law, Reuter reports from Madrid.

The agreement to grant residence permits to those who have roots in the enclaves came after a month of protest by Melilla's 30,000 people of Moroccan descent over a law which gives foreigners until March 1 to put their papers in order or face expulsion.

Former IEA chief dies

BY DAVID MARSH IN PARIS

DR ULF LANTZKE, the West German executive director of the 21-nation International Energy Agency between 1974 and 1984, has died suddenly, aged 58.

Set up in 1974 as a crisis centre to handle the west's response to the threat of supply disruption after the first oil shock, the IEA evolved under Dr Lantzke's stewardship into an international forum for more general energy questions.

Mrs Helga Steeg, the present IEA executive director who took over from Dr Lantzke two years ago, said yesterday: "Without him the co-operation and cohesion achieved by Western industrialised countries during the energy crises of the last 10 years would not have been so successful."

Dr Lantzke set up the IEA's emergency oil-sharing mechanism under which countries can make supplies available to others suffering a shortfall. The mechanism has not had to be used because even the 1979-80 oil crisis was not severe enough to trigger it off.

Bulgarians braced for anti-alcohol campaign

BY LESLIE COLITT IN BERLIN

BULGARIANS, whose government is marking February as "sobriety month," are bracing themselves for a possible anti-alcohol campaign inspired by Mr Mikhail Gorbachev, the Soviet leader.

The main Communist newspaper, Rabotnitshesko Delo, said the struggle against alcohol was of "national concern." It added that the party's "most loyal sons" had always been sober.

It criticised food shops for devoting too much shelf space to alcoholic beverages. Some 80 per cent of robberies and an even higher proportion of juvenile crime was committed under the influence of alcohol, it added.

Rabotnitshesko Delo warned that int those companies where wages were related to performance, the pay of inebriated workers should be taken into account.

Reading between the lines of the article, Bulgarians saw a strong hint that measures might well be taken to curb alcohol sales, similar to those already undertaken in the Soviet Union. Bulgarians, whose country was liberated from Turkish rule in 1878 by Tsar Alexander II, are normally the most pro-Soviet of East Europeans.

But they also cherish rakia (brandy) and wine as much as the Russians do their vodka, and might turn to illegal stills as Soviet citizens have done.

The Bulgarian Government derives considerable income from the sale of alcohol and noted that the recently-disbanded Ministry of Retail Trade was selling too much alcohol in order to boost profits. Smoking has also come under sharp criticism in Bulgaria which is Eastern Europe's largest tobacco producer.

OVERSEAS NEWS

Britain and Nigeria restore full diplomatic relations

BY PATTI WALDMEIR IN LAGOS

THE RESUMPTION of full diplomatic ties between Britain and Nigeria, disclosed yesterday by President Ibrahim Babangida, ends a 17-month rift which began with a bizarre kidnapping attempt in London in July 1984.

The move comes at a critical time in the economic fortunes of Nigeria, Britain's largest trading partner in black Africa which bought some £900m ($1.2bn) worth of British exports in 1985.

Mr Umaru Dikko, a prominent Nigerian exile and a former minister in the government of ex-President Shehu Shagari, who was wanted by the military authorities on allegations of corruption, was discovered bound, gagged and heavily sedated in a crate at London's Heathrow airport. He was about to be loaded on to a Nigeria Airways plane bound for Lagos.

In the furore that followed, Britain and Nigeria withdrew their respective High Commissioners, and relations between the two countries sank to their lowest level for many years.

Since the overthrow last August of Gen Muhammadu Buhari, who himself ousted President Shagari at the end of 1983, both sides have attempted to mend fences. Mrs Margaret Thatcher, the British Prime Minister, was the first Western leader to send a message of support to President Babangida.

Whitehall had hoped that a visit shortly after the August coup would lead to an early exchange of High Commissioners, but Sir Geoffrey Howe, the UK Foreign Secretary, found himself the object of an outspoken public attack by a senior official in Nigeria's ruling military council.

The official, Air Commodore Larry Koinyan, again raised the Dikko affair, but in the intervening months passions appear to have cooled.

When Prof Bolaji Akinyemi, Nigeria's Foreign Minister, visited London in January, he made clear that Nigeria was prepared to leave the matter in the hands of the courts, where Mr Dikko is contesting an extradition order.

He also assured British officials that an appeal by two British aircraft engineers serving a 14-year sentence for assisting an aircraft to leave the country illegally at the time of the 1983 coup, would soon reach the appeal court in Nigeria.

Last month President Babangida announced a 30 per cent ceiling on Nigeria's external debt servicing and said that the country intended to reschedule its medium and long-term debts although no agreement had been reached on a economic recovery programme with the International Monetary Fund

Economic difficulties caused by the slump in the price of oil, which accounts for over 95 per cent of export earnings, has led to a build up in arrears on Nigeria's trade payments.

Peres call for West Bank autonomy angers coalition

BY ANDREW WHITLEY IN TEL AVIV

A POLITICAL row has blown up in Israel over proposals made by Prime Minister Shimon Peres that greater autonomy should be granted to the 1.5m-strong Arab population of the occupied West Bank region.

Mr Peres suggested over the weekend, in the wake of the stalemate in negotiations between King Hussein of Jordan and Mr Yasser Arafat of the Palestine Liberation Organisation, that Israel should take interim measures on the West Bank, prior to any permanent resolution of the dispute.

"Until a formal settlement is reached," he said, "we should aspire to enable the Arabs (of the occupied territories) to run their lives by themselves, according to their own lifestyle, with a tie to the Arab world."

The Prime Minister's remarks, regarded by western diplomats as intended to put further pressure on King Hussein and to test the reaction of his own collagues, have produced a chorus of denunciations from all sides, including West Bank leaders themselves.

For once, both Labour and Likud members of the often quarrelling coalition Government have united in their objections.

Sudan eases import curbs

SUDAN'S Central Bank has eased import restrictions introduced last week in an effort to dispell speculation about an impending freeze on foreign currency accounts.

According to a circular sent to banks yesterday, liabilities *contracted before January 30* can be settled without identifying the source of the funds used.

One banker described the move as "very positive" after a week of confusion following the Government's announcement of new exchange control regulations.

Last week's measures seemed designed to halt the slide of the Sudanese pound on the free market, which had been the principal source of finance for the private sector. The free market pound currently trades at twice the official rate of 2.5 to the dollar.

The new regulations stipulate that all foreign currency is to be pooled with a central bank committee which will approve applications for *import licences. Earlier* Government proposals to ration petrol and basic commodities to reduce the budget deficit officially put at S£1bn, have not so far been implemented.

Police made dawn raids over the weekend on shops throughout the capital, arresting traders and confiscating banned import items. Yesterday many shops refused to open and a delegation from the Chamber of Commerce was due to petition the commerce minister to complain over the heavy handed police action. According to a Chamber of Commerce official, traders would hold a one-day strike if all charges were not dropped.

The government's new measures were announced against a background of deteriorating relations with the IMF. Last week the IMF cut all further credit to Sudan following a board meeting in Washington.

Western officials in Khartoum maintain the Government is still a long way from agreement with the Fund on ways to resolve its $9bn debt position.

1,300 held in India prices protest

BY JOHN ELLIOTT IN NEW DELHI

MORE THAN 1,300 people were arrested in New Delhi yesterday during demonstrations against price rises which Mr Vishwanath Pratap Singh, Finance Minister, warned would have to be followed by further tough action to offset increases in the country's budgetary deficit.

Mr Singh, who is expected to present his annual budget on February 28, hinted that he would have to cut the size of India's seventh Five-Year Plan if high expenditure was not offset by either increased public sector efficiency or higher public sector prices.

The arrests took place during a bandh—a day of strikes and demonstrations — called by trade unions and political parties in New Delhi to protest against substantial increases in oil and gas prices 10 days ago.

Bus windscreens were damaged and tyres deflated by demonstrators. Many shops in the city were shut and offices closed. A similar bandh is taking place today in Calcutta and the surrounding state of West Bengal.

India expects to produce about 3m tonnes of oil a year starting this June from a new find at Gandhar in the onshore Cambay area of the state of Gujarat.

The find is described by Colonel S. P. Wahi, chairman of the oil and natural gas commission, as a "major discovery" which could have reserves of 160m tonnes.

This is one of India's most significant finds since the Bombay high field was started over 10 years ago and comes at a time when recent rapid growth in domestic oil production is slowing. Domestic crude production in the year to March 1986 is expected to be only three to 3.5 per cent above the 29m tonnes achieved last year. But demand for oil products is rising at 8.5 per cent compared to five per cent in recent years.

The oil struck at Gandhar is comparable to Bombay high crude. Geological reserves are estimated at 100m tonnes, including oil equivalent of gas.

Gandhar is part of a Rs 9.35bn (£562m) Cambay basin three-year exploration project, for which the World Bank has extended a $242.5m (£173m) loan.

The oil price rises originally amounted to 5-20 per cent on a range of products and were cut by about a third after opposition protests began.

The rises were introduced to cut demand for oil products at a time when imports had been rising at a rate of 30 per cent, which worried the government, even though international oil prices were falling.

The increases were also intended to help Mr Singh balance his budget by raising additional revenue of Rupees 3bn ($248m) in a full year. Other price rises of government-controlled items such as fertilisers were also raised by cutting subsidies to yield more funds, unofficially estimated to total as much as Rs10bn a year.

At a meeting with his ministry's consultative committee of MPs, Mr Singh yesterday warned that revised estimates for 1985-86 showed that financial grants to regional state governments were running at 65 per cent above planned levels and that the cost of food and fertiliser subsidies and other support for loss-making public sector industries was 38 per cent higher than planned.

With the prospect of the country's debt service ratio expected to rise from about 14 per cent to 20 per cent within the next four or five years, he warned that the total plan would have to be cut if the public was not prepared to accept cuts, and public sector inefficiency continued.

South Yemen party chief emerges as key figure

BY TONY WALKER IN CAIRO

MR ALI SALEM AL BYDH, secretary of South Yemen's ruling Socialist Party (YSP), although nominally junior to the new president, Haider Abul Bakr al-Attas, has emerged as a key figure and possible new strong man in the country.

Mr Ali al-Bydh, 46, is a veteran of South Yemen's revolution against Britain and has occupied key Government posts including Foreign Minister from 1969-71. Most recently he was local Government Minister.

Mr al-Bydh was close to former president Mr Abdul Fattah Ismail, whose death was officially announced yesterday by Aden radio. It said Mr Ismail died of burns inside an army tank hit by supporters of ousted president Mr Ali Masser Mohammad as it was taking him to hospital on January 13, the day fighting broke out between rival Marxist factions in South Yemen.

Mr Ismail was head of the hardline pro-Soviet faction

Mr Salem Saleh Mohammad, is the Assistant secretary general of the YSP and like Mr al-Bydh and Mr al-Attas, is one of the few surviving Politburo members still in power.

The near civil war in South Yeman has forced an almost complete overhaul of the country's top leadership. Only a handful of ministers from the old government have been reappointed, including Prime Minister Yasseen Said Noman who was previously deputy was not saying "no" to the prime minister and fisheries minister.

Mr al-Bydh and Mr Salem Saleh were among those whom the former president sought to have eliminated as they were gathering for a meeting of the Politburo on January 13.

Mr al-Bydh survived an initial attempted execution by the president's bodyguards by throwing himself on the floor of the Politburo meeting room and pretending to be dead.

He was wounded several days later as he was riding in an ambulance which came under direct automatic rifle fire.

The new leadership has pledged to continue seeking better relations with surrounding countries in line with policies pursued by the ousted president. But Government spokesmen are also making it clear that ties with Moscow will remain firm.

Iran launches ground offensive against Iraq

BY KATHY EVANS IN KUWAIT

IRAN launched a two-pronged ground offensive in the southern sector of the Iraqi warfront yesterday, the first in 11 months. Iraqi officials in Baghdad have conceded that some territory has been taken by the Iranians, but said a counter-attack was under way by its Third Army Corps.

The Iranian offensive appeared to focus on the southern city of Basra, although Tehran has also claimed to have captured an island in the Shatt al Arab waterway called Umm al Rassas, southwest of the city of Khorramshahr. Some observers in the region speculated that the Iranians may be trying to cut Basra off from the south for the first time during the conflict.

An attack on the southern shores of the Gulf would considerably worry Kuwait, whose capital city is just 100 miles from Basra.

The Iranian official news agency, Irna, said that many Iraquis had been killed and wounded in the attack, although Iraqi officials said that Iranian corpses were littering the Shatt al Arab waterway.

Iran has been preparing for the offensive for more than six months in a nationwide campaign for fresh volunteers to go the front. Diplomats in Baghdad believe that about 200,000 Iranian troops were poised for the offensive.

Most observers were discounting the possibility of this attack being the long-awaited "final" offensive. Firstly, the attack was launched on the eve of the 10-day celebrations in Iran marking the return of Imam Khomeini to Tehran seven years ago. About 500 foreign guests are assembled in the capital, and today millions of Iranians are expected to participate in demonstrations in a show of support for the regime

Nevertheless, observers noted that the size of the operation appeared to be larger than usual but they did not expect it to be any more prolonged than last year's spring offensive in March. The operation, codenamed Val Fajr 8, is thought to be part of a series of offensives. Its duration will depend largely on the success it achieves in the first few days,

Both sides appeared reserved in the tone of their communiques however. The Iranians clearly do not want to build up expectations among the people,

S. Africans die as rival groups clash

By Anthony Robinson in Johannesburg

THE charred bodies of five black men executed by flaming "necklaces" of rubber tyres were found by police in the Eastern Cape shanty town of Soweto near Port Elizabeth yesterday.

The discovery was made after a week-end of political faction fighting between members of the rival United Democratic Front (UDF) and the black consciousness Azapo movement.

The corpses were found after a bloody confrontation between members of the two organisations in the nearby township of Walmer on Saturday when two blacks were hacked to death.

In a similar incident in the Johannesburg township of Alexandra, Mr Jerry Kumuka, a local Azapo leader, was stabbed to death yesterday by two unknown assailants who called him out of his home.

Meanwhile, in the Durban area a limpet mine was found in a public park at Amanzimtoti south of the city which was the scene of a pre-Christmas bomb attack on a crowded supermarket in which six people lost their lives. The bomb was defused by a bomb disposal squad.

Elsewhere police mounted a major manhunt in the squatter shack community of Umbumbulu, also south of Durban, where three black policemen were hacked to death on Sunday by a 500-strong crowd armed with home-made guns, spears and panga knives.

The three policemen were part of a seven-man patrol which set out to investigate reports of renewed tribal faction fighting over land and squatter rights in the densely packed squatter townships in which over 110 people have died over the past two months.

Ugandan minister

An article in the Financial Times of February 7 headlined "Museveni's long haul to subdue the north" reported that Mr Paul Ssemogerere, Uganda's new Internal Affairs Minister, had held the same post in the ousted regime of Dr Milton Obote. This was an error. Mr Ssemogerere held the position in the regime headed by Major Gen Tito Okello. We apologise for any embarrassment caused.

US companies remain opposed to oil import tax

BY WILLIAM HALL IN NEW YORK

THE US oil industry remains strongly opposed to congressional efforts to introduce a tax on US oil imports but there are signs that a number of oil companies may be changing their mind given the financial problems some of them are facing as a result of the recent sharp drop in world oil prices.

The American Petroleum Institute (Api) said yesterday it remains officially opposed to the introduction of a tax or "fee" on the 4.8m barrels a day (b/d) of crude oil which the US imports. A number of bills have been tabled in the Senate recommending the introduction of a tax of between $5 and $10 on each barrel of imported US oil.

The majority of the support for the proposed oil import tax is coming from politicians in the states of the south and south west of the US which have been badly hit by the recession in the US energy industry. The argument is that if a $5 per barrel tax is imposed this will allow local oil prices to rise and help local oil producers and related industries.

Several state governments which have lost millions in tax revenues and local bankers which are facing heavy loan losses on energy loans are said to be supporting the moves to impose an import tax.

API says that an oil import fee would be a "bureaucratic nightmare." It believes higher domestic US oil prices would be subject to extra taxes and this would offset the financial help to the troubled oil companies. It also believes areas of the US such as New England, which use a lot of heating oil in winter, would lobby hard to be made an exception.

There are signs in Washington that the US Administration's earlier firm opposition to an oil import tax is softening and oil industry officials are concerned that the industry's united front against a possible oil tax is being weakened by some oil companies who see some short term financial benefits from the introduction of a tax.

Joe Mann in Caracas adds: The Venezuelan Government is lobbying Congress in Washington to counter the oil import tax proposal.

Non-oil exports to the US have already been affected by protectionist measures and the government is seriously concerned about the potential threat to its economy from an oil import tax at a time of falling world prices.

Exports of crude and refined petroleum products form the mainstay of the Venezuelan economy and most of its oil is exported to the US. If a tax is imposed, Venezuela will seek exclusion or at least attempt to convince the US not to give special treatment to Mexico and Canada.

Venezuela oil prices freed from government control

BY DOMINIC LAWSON IN LONDON AND JOE MANN IN CARACAS

THE VENEZUELAN state oil company, Petroleos de Venezuela, is to be allowed to set its oil prices without prior approval from the Venzuelan Government.

In a communiqué yesterday, the Government said that Petroleos would now have the "commercial flexibility to adopt itself to the new dynamics of the (oil) market."

The move is a sharp break with the traditional policy of one of the founding-members of the Organisation of Petroleum Exporting Countries, the group formed to give oil-producing governments control over the price of oil.

At last week's meeting of five leading Opec ministers in Vienna, the oil ministers of Kuwait and the United Arab Emirates warned that in the current state of over-supply, each Opec country would have to sell what it can at whatever price it can get, in order to compete for market share.

Venezuela's main market for its export target of 1.4m barrels a day is the US. But the new Saudi Arabian policy of abandoning official prices and tying its crude prices to the spot market value of refined products, has led to a tenfold increase in Saudi crude exports to the US, and hit Venezuela's share of that market.

Last week, Venezuela's exports are thought to have dropped to only 800,000 b/d, not much more than half the targeted level. The new policy will give the state oil company the flexibility it needs to counter the threat from Saudi Arabia.

Shuttle inquiry homes in on safety seals

THE US presidential commission investigating the explosion of the space shuttle Challenger began to focus its attention yesterday on allegations of weaknesses in the safety seals on the booster rockets, reports Terry Dodsworth from New York.

The commission demanded full details of warnings said to have been given by engineers at the National Aeronautics and Space Administration (Nasa) over problems encountered with the seals. Officials from Nasa will be interrogated on this issue by commission members today, following a complete review of Nasa records on the issue yesterday.

Questions over the effectiveness of the seals used in the solid fuel booster rockets intensified over the weekend following a report in the New York Times suggesting that Nasa has been aware of problems in this area for at least a year.

are used to prevent flames burning through the seams at the juncture of segments of the booster rocket, which are assembled from four separately manufactured units. According to the newspaper report, Nasa was warned by its own engineers that the seals were eroding in flight, and told that if this led to the destruction of the seams that join the rocket together, the results "would certainly be catastrophic."

Carter attacks US policy on Nicaragua

THE US GOVERNMENT has made insufficient efforts to support the Contadora Group peace efforts in Central America, according to Mr Jimmy Carter, a former US President, Tim Coone reports from Managua.

"Our government has not done enough to support the Contadora process," the former President said. Mr Carter also criticised President Reagan's policy of financing efforts by Contra guerrillas to topple Nicaragua's left-wing Sandinista government.

Mr Carter said every effort should be made to further the aims of the Contadora group, which includes Mexico, Venezuela, Colombia and Panama. The group has advocated the demilitarisation of the region and withdrawal of foreign advisors.

He concluded an intensive three-day visit to Nicaragua at the weekend, before going on to El Salvador, his next stop on a tour of Central America.

The eight foreign ministers of the Contadora Group and its four nation support group were due to meet with Mr George Shultz, US Secretary of State, yesterday in an attempt to persuade the US to renew bilateral talks with the Nicaraguan government, which the US broke off in January 1985.

Washington praises Haiti for human rights moves

THE US yesterday commended Haiti's new military-dominated governing council for initial moves to restore human rights and a plan to disband the infamous militia unit known as the Tontons Macoutes, Reuter reports from Washington.

"The new government's actions so far represent a good start and we hope that it will soon take further actions to restore human rights and move towards democratic government," Mr Larry Speakes, White House spokesman, said.

Mr Speakes said the council had moved to disarm and subordinate the dreaded Tontons Macoutes, an unofficial militia, to the armed forces. "We understand the force will eventually be disbanded," he said.

Mr Speakes said Washington was encouraged that the new government had released political prisoners and allowed independent radio stations to reopen.

The US helped President Jean-Claude Duvalier and members of his family flee Haiti last week under cover of darkness, ending 28 years of rule by the Duvalier family.

The exiled Haitian President is now, in temporary residence in the Alpine resort town of Talloires. He is posing increasing embarrassment to a French government struggling to find a foreign host for its unwanted guest.

Though officially only making a transit stop in France, the ousted president has so far shown no sign of checking out of his four-star, lakeside refuge in a converted medieval monastery.

The Mulroney Government has been reluctant to confront key issues, **Bernard Simon** reports

Money markets rebuke Ottawa's policymakers

INTERNATIONAL money markets have driven home a more forceful verdict in the past six weeks on the Canadian Government's economic and political policies than the local business community has been able to put across in almost a year.

By driving the Canadian dollar down to one record low after another the financial markets have signalled their concern at the reluctance of Prime Minister Brian Mulroney's Government to confront some of the key issues facing the country since the Progressive Conservative Party swept into office in a landslide election win 18 months ago.

The dollar sank to a nadir of 69.20 US cents last Tuesday, a drop of more than 2 cents since the beginning of the year and 5 cents below its level last July.

Ottawa won some breathing space last week by intervening forcefully in the foreign exchange market and engineering a sharp rise in domestic interest rates. The Government has borrowed more than C$3bn since the beginning of the year to support the Canadian currency. Commercial banks have raised their prime lending rate in four stages from 10 per cent to 12.25 per cent.

The spread between US and Canadian short-term interest rates, a crucial determinant of capital flows between the two countries, has widened from 1.3 percentage points, when pressure began to mount on the dollar last November, to almost four points at the end of last week.

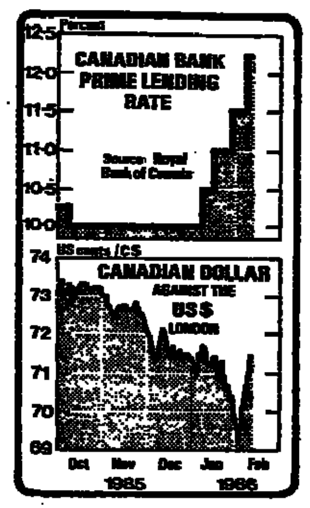
These measures have helped push the dollar back up to 71 US cents, and have left foreign currency analysts in no doubt that it will remain above 70 cents for the time being. Lines of credit with a large group of Canadian and international banks give the authorities access to at least US$7.5bn to defend the Canadian dollar.

Mr Michael Wilson, Finance Minister, said in parliament last Thursday that the government was "prepared to use its official reserves to enter the market as aggressively as necessary to counter speculative pressure on the dollar."

However the authorities are not expected to try and push the currency much higher, preferring to avoid further hikes in interest rates.

Whether downward pressure on the dollar once again increases in the weeks and months ahead will be largely determined by what Mr Wilson has to say in the budget which he plans to deliver before the end of the month.

The Canadian dollar's recent weakness is partly due to short-term or cyclical factors, over which the Government has little short-term control. The



Michael Wilson: all eyes on his upcoming budget

tumbling oil price and weak markets for some of Canada's other resource exports have certainly contributed to the dollar's decline.

Canada is also sucking in imports as the economic upswing enters its fourth year. The 5.5 per cent real growth rate in Gross National Product in the fourth quarter of 1985 was the highest of any industrial country.

Mr James Stewart, economist at Domonion Securities Pitfield in Toronto, estimates that the current account deficit on the balance of payments will widen to C$3bn to 4bn this year, from about C$1bn in 1985.

There is also widespread agreement, however, that Ottawa has brought some of the troubles on itself. From a tactical point of view, the authorities allowed the spread between US and Canadian interest rates to narrow to an historically low margin last November, just as US subsidiaries' seasonal tax and dividend outflows were building up.

Throughout December and January, the Finance Ministry acquiesced in a weakening currency, appearing to overrule the Bank of Canada's traditional concern at the inflationary impact of a lower exchange rate. Mr Wilson pointed instead to the benefits to exporters

From a broader perspective, the passage of the Gramm-Rudman Bill through the US Congress last December was a sharp reminder of the lack of progress towards deficit reduction north of the 49th parallel.

Canada's Budget deficit is proportionally almost double that of the US. The federal Government's outstanding debt grew by over 20 per cent in 1985 and it spends one dollar in every five on debt servicing.

Mr Wilson's promise in last May's budget to contain the 1985-86 deficit at around C$34bn will probably be fulfilled in the fiscal year ending on March 31. But this achievement will be due largely to the higher than expected growth rate of the economy and to tax increases. The deficit would have been significantly trimmed had the Government not decided last year to bail out uninsured depositors in two failed Alberta banks

The business and financial community is disappointed that the Mulroney Government has not taken advantage of its overwhelming election mandate to keep a tighter rein on spending. According to Mr Lloyd Atkinson, chief economist at Bank of Montreal: "There is a perception in the market that the Government just lacks the will to come to grips with the budget deficit. There is also a perception that Canada will manage its deficit by raising taxes."

Mr Wilson has promised that his forthcoming budget will make a dent in the deficit. He is expected to announce a cut of about 10 per cent, relying mainly on higher revenues generated by an expanding economy, and the elimination of a number of tax concessions to individuals and companies. Hopes of significant spending cuts have been lifted by reports last week that the government has ordered a civil service hiring freeze.

Events of the last few weeks have complicated the Minister's task. The Bank of Montreal estimates that the jump in interest rates will cost the exchequer an annualised C$3bn by pushing down the growth rate and thereby lowering tax revenues and raising unemployment benefit payments.

That figure excludes revenue losses from Canada's oil and gas producers, which paid C$1.4bn in federal taxes from revenues of C$33.5bn in the first half of last year. The energy industry is bracing itself for lower profits as it is forced to compete more aggressively for markets, especially in the US.

WORLD TRADE NEWS

US drug makers seek retaliation against Britain

BY TONY JACKSON

THE US pharmaceuticals industry is to lobby for trade retaliation against the UK, on grounds of action taken by the British Government to limit drug industry profits.

The Pharmaceutical Manufacturers Association (PMA) is taking legal advice on the scope for action under the US Trade and Tariff Act of 1984, which provides for retaliatory action in the case of unreasonable treatment of US investors overseas.

The decision on whether to proceed will be taken in the next two months, the PMA said.

The PMA move coincides with the lodging of a complaint by the European Federation of Pharmaceutical Industry Associations (EFPIA) with the European Commission about the limited list of drugs prescribable under Britain's National Health Service (NHS).

Several US drug companies have cut back their UK investment and manufacturing activities, blaming the UK Government's reduction of industry profitability under the NHS and last year's introduction of a limited drug list.

Mr Jay Kingham, senior vice president international of the PMA, said: "There may be grounds for retaliation on all of the UK Government's actions. The limited list may be discriminatory, and may also be a denial of trade mark protection to products which have been blacklisted.

"There is also the question of whether the cutbacks in profitability allowed to drug companies are a denial of fair and adequate rights on intellectual property protection."

The 1984 act has not yet been tested in the pharmaceutical field. Action could be taken against the UK in a number of areas at the discretion of Mr Clayton Yeutter, the US trade representative.

Mr Kingham said: "The thrust of the law is to arrive at a negotiated position, rather than resort to retaliation."

The EFPIA submission to the European Commission argues that the limited list distorts trade across European boundaries in a way which may be discriminatory. Several European companies have suffered large cutbacks in business as a result of the limited list.

The Association of the British Pharmacutical Industry (ABPI), the UK drug industry trade body, said: "The current actions of US companies are a manifestation of frustrations which are general in all sectors of the industry, regardless of country of origin. Even British companies must be re-evaluating their commitment to investment in the UK."

The UK Department of Health said: "We have had representations from the PMA, and they have also approached the Department of Trade and Industry. There has been no inter-governmental contact."

UK book publishers press Gandhi on copyright laws

BY JOHN ELLIOTT IN NEW DELHI

BRITISH book publishers yesterday urged Mr Rajiv Gandhi, the Indian Prime Minister, to speed up legal action in his country against book pirates and to try to ensure that exports by Indian printers do not break copyright agreements.

Mr Philip Attenborough, chairman of Hodder and Stoughton, said after talks that Mr Gandhi had spoken out strongly against book piracy in India which has built up rapidly in recent years for fiction and students' books.

Mr Attenborough is leading an 18-member trade mission from the British Publishers' Association to an international book fair in New Delhi.

British book exports to India totalled about £16m in 1984 and the publishers have been looking at ways of transferring more printing rights to Indian publishers.

India strengthened its copyright laws in 1984 but the slow operation of local courts delays cases.

The publishers urged that book piracy should be made a cognisable offence. This would speed up police investigations so that raids could take place before a printer copying a foreign title had time to move his printing equipment.

British publishers are also concerned about market infringement in India by US publishers. They say that British books printed under copyright in the US are being exported from the US to India.

Two cases are being heard in Indian courts, one brought by Granada over a Robert Ludlum title and the other by Penguin over a number of books.

The exports by Indian printers and publishers cited by the delegation involve books licensed only for sale in India being exported to the Middle East, East Africa and other parts of Asia, infringing the copyright agreements.

Matsushita aims to lift facsimile sales

By Our Tokyo Staff

MATSUSHITA, Japan's largest consumer electronics company, hopes to double its sales of office facsimile machines to British Telecom (BT) to around 12,000 units this year, in a deal worth around Y100bn (£373m).

The Japanese company last year sold 6,000 units to BT on an original equipment manufacture basis. This year, the units will be the G-3 format, the fastest available for office use. BT will use some of the machines internally and rent others out.

Matsushita's exports of facsimile machines to Europe have been growing rapidly in recent years, rising from 4,200 units in 1983 to 21,000 units last year.

This year, the company expects to sell 30,000 units to European post and telecommunications organisations, primarily in the UK, Sweden, Holland, Italy, Switzerland, Ireland and Portugal.

Kajima takes share of Shanghai order

By Carla Rapoport in Tokyo

KAJIMA, one of Japan's largest construction companies, is participating in a $175m (£125m) hotel-apartment development in Shanghai. The deal is believed to be one of the first to be undertaken without any Chinese Government participation.

Kajima plans to undertake the development as part of a joint venture with John Portman, the US design and management company, and the American International Group (AIG), also of the US.

Kajima says the complex will revert to Chinese ownership 20 years after completion. Nonetheless, the joint venture believes it can make a profit before then.

The complex will include two 30-storey apartment buildings to house foreign residents, a 700-room international hotel and a shopping complex.

Kajima is also considering building a leisure and sports complex on Hainan Island.

Seapac signs protocol to build Turkish power plant

BY DAVID BARCHARD IN ANKARA

Seapac of Australia has signed a protocol with the Turkish Government to build a coal-fired power plant and port at Yumurtalik on the southern coast under the "construction-own-operate" model devised by the Government of Mr Turgut Ozal.

A financial package will have to be arranged before the agreement can go ahead.

The 1,400Mw power plant will cost $1.4bn (£1bn). A company to be owned 30 per cent by the government of the state of Queensland and 30 per cent by the Turkish Electrical Authority (TEK) will be set up to build and operate the plant with an initial capitalisation of $250m.

It is understood that $650m of the $1.4bn will come from Australian and Japanese sources, and a further $100m from the US Eximbank.

Seapac is jostling with schemes by BBC of Switzerland and Bechtel of the US for rival power plant projects and with AECL, the Canadian national nuclear corporation which is planning a 630 Mw atomic power station on the Mediterranean coast at Akkuyu.

Seapac, however, believes things are going its way.

"We have the equity partners in position and we have the people who are going to build and operate the plant in position," the company said.

The Australian Government is believed to see the project as a major bridgehead for trade, especially coal sales, in the eastern Mediterranean and the Middle East.

Unlike the other schemes, the Yumurtalik power plant involves building a port with substantial independent trade capacity.

The project's future hangs on negotiations on the cost of the electricity and sale price to TEK.

Commission to suggest steel quota for Spain

By Paul Cheeseright in Brussels

SPAIN THIS year should be permitted to sell 827,500 tonnes of steel in the rest of the European Community, excluding Portugal, the Commission will suggest to industry ministers.

Such a figure would hold Spanish sales at broadly their present levels. In the first 10 months of last year they amounted to 722,000 tonnes.

A quota on Spanish steel sales to the Community was agreed as part of the accession negotiations.

The Ten were not prepared to grant Spain the claim of free sales until its industry stops receiving subsidies.

The industry is going through extensive restructuring with the aim of restoring financial viability to companies by the end of 1988.

A tonnage for Spanish sales to the rest of the Community is worked out according to a pre-arranged formula. However, the Spanish industry fears the effect of increased sales on its domestic market from the Ten.

Already they run at a considerably higher figure than Spanish sales to the Ten—1.14m tonnes in the first 10 months of last year, and so Spain may in its turn seek restraints.

Chris Sherwell on problems facing a Swiss-supervised imports scheme

Indonesia cuts Customs red tape

LATE last year, a consignment of chemicals destined for Indonesia was checked in Singapore, loaded aboard ship and, a few days later, cleared quickly through Jakarta. It seemed like a routine example of Indonesia's efficient new import scheme supervised by Société General de Surveillance (SGS), the Swiss inspection services company.

It was suddenly discovered, however, that the cargo comprised electronic goods, including video-cassette recorders—a clear case of smuggling. The implication seemed clear: SGS's much-vaunted surveillance system was not working in Jakarta or, in this case, in Singapore.

Hasty investigations by the government and SGS pointed to an attempted set-up, aimed at embarrassing the Geneva-based company following its controversial appointment by the government last May.

SGS has to inspect and certify Indonesia's imports in their country of origin and, in certain instances, its exports at the port of destination. The smuggling incident was the most tangible sign, so far, of how the scheme has upset certain people.

At its inception many Customs staff were sent on paid leave and ports were put under new management. Within weeks of its implementation clearance delays had been cut and corruption scaled back.

The purpose of the scheme was to cut import and export procedures to a minimum. Complaints about the complicated arrangements have inevitably been numerous, but SGS, while acknowledging it is not perfect, believes most are unfounded.

Initial delays in issuing "clean bills of findings," known in Indonesia as LKPs, have been resolved with the help of facsimile machines in the Jakarta office. Up to 600 LKPs, which importers use to collect their goods at port without customs intervention, are now processed daily.

Corruption in Indonesian ports was legendary and importers agree that problems have eased, even if there are signs that Customs officers are becoming more demanding

At important trans-shipment points like Singapore and Hong Kong, SGS has increased staff to cope with the work, although Indonesia's complaints that the company could not handle the business became so voluble that Mr Rachmat Saleh, the country's Trade Minister, and a batch of Indonesian journalists, paid separate visits to Singapore to see for themselves.

Plainly the SGS arrangement has antagonised those who have lost most by the scheme or feel embarrassed by the need to "contract out" the important Customs function.

But corruption in Indonesia's ports was legendary, and importers agree that the situation has improved markedly, even if there are incipient signs that Customs officers are again becoming more demanding.

In the specific case of the smuggling "exposé," it now seems that the switch from chemicals to video-recorders occurred in Singapore immediately before loading and after SGS's verification, while in Jakarta Customs officers ought to have discovered the offence because of an anomaly in the documentation.

Either way, the case has highlighted another overlooked consequence of the scheme—the significant but still indeterminate impact on Singapore.

The island state does not publish figures for its trade with Indonesia, something which rightly bemuses outsiders. The main reason is said to be Indonesian sensitivity about smuggling, although to hear well-placed Indonesians this attitude is unnecessary.

Jakarta for its part does release some trade figures, and for 1984 these showed the first decline in two-way trade—of a whopping 41 per cent—in 20 years, principally because of the fall in oil trade as Indonesia's new refineries came on stream.

Against this background it is impossible to estimate the precise impact on Singapore of Indonesia's decision last year to introduce the SGS scheme. Singapore officials suggest it is minimal, but it seems certain to have exacerbated the already-worsening trade trend.

For a start foreign suppliers can no longer route goods through Singapore under a Singapore country-of-origin label in order to benefit from advantageous regional tariffs. Trans-shipment, therefore, seems certain to have been hurt.

Second, SGS's close scrutiny of goods which are trans-shipped often turns up cases where they are not in line with the specifications, incorrectly classified, fail to conform to the description on the documentation or are priced out of line with market rates.

While this means correct duties are charged more often to Indonesian importers, which helps the Jakarta government's revenues, it limits the benefits coming back to the importers' Singapore partners.

Finally, the chemicals-to-videos switch in Singapore—reflecting a practice reckoned to be common—has caused SGS to tighten up its procedures, so the smuggling trade is also likely to be hit unless local traders' ingenuity can create fresh opportunities.

Prague signs oil deal with Moscow

By Patrick Blum in Vienna

THE SOVIET UNION has signed a contract to supply Czechoslovakia with oil worth Roubles 3bn (£2.88bn) in 1986, the Czechoslovak news agency CTK says.

The amount of oil is not specified, but, according to Mr Raimund Dietz of the Vienna Institute for Comparative Studies, the figure represents about 16.6m tonnes of oil and oil products, roughly the same amount that Czechoslovakia imported from the Soviet Union in 1984 and 1985.

In 1984 Czechoslovakia's total oil imports were 17.1m tonnes,

Czechoslovakia imports only very small quantities of non-Soviet oil, usually for refining or to meet unexpected and urgent needs of domestic companies.

Mr Dietz calculates that taking into account the recent fall in the dollar and an approximate price of Roubles 177 per tonne of crude the Soviet Union is selling its oil at around $29 (£20.7) a barrel, well above spot market prices.

This, he says, may not be as disadvantageous to the Soviet Union's East European customers as it initially appears because the cost of generating hard currency considerably push up the cost of buying in the West.

UK NEWS

Motor industry's influence muted

Tory MPs with seats in the Midlands, the heart of the UK motor industry, were among those who led the protests against the now-cancelled talks to sell Austin Rover to Ford. But Peter Riddell reports on how Britain's political map has changed.

WHEN Joseph Chamberlain walked out of Gladstone's Cabinet in 1886, he did so secure in the knowledge that Birmingham was behind him.

The caucus had ensured that the Liberals had carried the city in the previous autumn's election. All his fellow MPs followed him, first into the Liberal Unionists and then in the 1900s into the Conservative Party. That helped to prevent the Liberals from becoming a majority party for a generation.

Ever since, Birmingham and the West Midlands – the home of the UK motor industry – have been regarded as central to the fate of governments, as well as to the British economy. The swing of voters, particularly in seats with motor vehicle interests, is reckoned to have had a significant impact on the national outcome in 1959, 1964, 1970, February 1974 and in 1979 (when the Tories did particularly well in BL-dominated seats).

Midlands MPs used this record last week to reinforce their successful campaign against the Ford talks to take over Austin Rover, the volume car subsidiary of state owned BL.

There are certainly several constituencies where BL is a big employer – Birmingham Northfield the Longbridge car plant, Solihull (Land Rover) and Oxford East (the Cowley plant), as well as many surrounding seats where BL workers live.

Indeed, the motor sector has additional clout, compared with other industries which employ more workers, merely because motor plants are so large and dominant in a particular area.

Yet the significance of the motor sector should not be exaggerated. Admittedly, the Society of Motor Manufacturers and Traders can point to 500 constituencies where the motor sector has a presence. But the contraction of the motor and components sector has reduced the number of constituencies where they are the dominant employers.

Moreover, the changing political map of Britain has meant that there are only eight seats with significant motor interests among the 77 Conservative marginals – that is, where there were majorities of less than 10 per cent at the last general election in 1983. Labour did less badly then in the West Midlands than elsewhere in the country, with a well-below average swing to the Tories and the loss of only three seats, compared with eight in the smaller East Midlands region.

The Tories' rising tide nationally turned places like the East Midlands, South Wales, north-west England and outer London into the new marginals.

It is there, and in places where the Liberal Social Democratic Alliance has emerged as the main challenger, in southern England, that the next election will be decided. Although Tory MPs could point to the dangers of their party losing seats in Midlands if the Ford deal had gone through, the damage might have been limited to half a dozen or so constituencies at most, and a handful elsewhere in Britain.

As in industry, the voice of Chamberlainite Birmingham no longer sounds as loudly in national political life as it did.

Thorn EMI regroups technology offshoots

By Jason Crisp

THORN EMI, the troubled electronics-to-music group, is reorganising most of its high technology subsidiaries into a single new grouping with a turnover of £700m.

The group will include Inmos, the microchip manufacturer making heavy losses, and Thorn Ericsson, its joint venture with LM Ericsson of Sweden, which makes telecommunications equipment.

The move is another stage in the rationalisation of this diverse group which has been undergoing considerable change since a cash crisis last summer.

After a management shake-up Thorn EMI has been selling companies in areas where it no longer wants to be. The biggest of these was Screen Entertainment, sold for £110m.

The chief executive of the new technology organisation is Mr Tom Mayer, 57, an associate director of Thorn EMI who is at present head of Thorn Emi Electronics, which is also being included in the new group. The company refused to say if Mr Mayer would be made a main board director although it is probable that he will.

The group will be divided into six units reporting to Mr Mayer. These will be:

- Defence systems, comprising Thorn EMI Electronics, Varian, Electron Tubes and Systron Donner.
- Security and sensors systems, with Protech, Malci (US), Datatech and Nuclear Enterprises.
- Information systems, with Thorn EMI's computer companies Datasolve, Software Sciences, Thorn EMI Software and Micrologic.
- Telecommunications, with Thorn Ericsson and its subsidiaries.
- Semiconductors, including Inmos and its subsidiaries.
- Measurement, consisting of Thorn EMI Measurement and its subsidiaries.

Mr Colin Southgate, managing director of Thorn EMI, said yesterday: "We have an impressive range of companies with a high technology base and potential for considerable profitable growth.

"This move to form them into a consolidated organisation with a unified management structure will enhance our ability to focus their broad strengths on international market opportunities in a more coordinated way."

Building groups agree £1.5bn Canary venture

By Michael Cassell

FIVE of the UK's largest contracting groups have formed a joint venture to construct Canary Wharf, the £1.5bn office centre planned for the Isle of Dogs in London's docklands.

The agreement involves Costain UK, John Laing Construction, Sir Robert McAlpine, John Mowlem and Taylor Woodrow Construction. The companies have agreed to enter into a contract with Canary Wharf Consortium, the developers of the 10m sq ft Canary Wharf project. They claim that the construction works will be the equivalent in value and construction resource requirements to Britain's share in the Channel Tunnel scheme.

The developers – comprising affiliates of Credit Suisse-First Boston, as well as Morgan Stanley International and First Boston Docklands Associates – announced last night that the five contractors had agreed to enter a construction contract for the 71-acre site in east London.

The development consortium said that construction planning work would start immediately and that work on site would commence in 1986. The project cannot go ahead, however, until parliament approves a private bill extending the Docklands Light Railway.

UK meat consumption up 2.7%

BY ANDREW GOWERS

BEEF and veal appear at last to be fighting back against vegetables in the battle for the British palate, according to figures released yesterday by the Meat and Livestock Commission (MLC).

The figures show that meat consumption in the UK last year totalled 3.87m tonnes, 2.7 per cent above its 1984 level. That was the highest total since 1979 and above the average for between 1970 and 1975.

More significantly for embattled British livestock farmers, consumption of beef and veal took the biggest share of the increase. It rose last year by 6.5 per cent to 1.1m tonnes.

By contrast, poultry meat consumption rose by only 3.6 per cent and pork consumption increased by 3 per cent. Mutton and lamb consumption actually fell by 2 per cent, showing that it might be too early for producers of red meat to declare that they have their rivals on the run.

Mr Keith Roberts, MLC chairman, was quick to claim credit yesterday. "These figures, which include supplies for manufacture and catering as well as household purchases, are encouraging for the whole of the meat industry and for the red meat sector in particular," he said.

Red meats such as beef have been losing market share for years to poultry and pork, owing to the twin effects of growing public concern over excessive animal fat in the diet and the exceptionally competitive prices of factory-farmed white meats.

Unionist councils face suspension

BY HUGH CARNEGY

THE GOVERNMENT said yesterday it would seek emergency legislation this week to ensure that local government services in Northern Ireland continued despite action by Uninist councillors who are protesting against the Anglo-Irish agreement.

The move follows the decision by the two main Unionist groups, the Official Unionist and Democratic Unionist parties, not to set rates (property taxes) in the 18 district councils they control and which they have already adjourned. The legal deadline for setting rates in the province's 26 districts is February 15.

Mr Richard Needham, Northern Ireland Office Environment Minister, said the emergency legislation would enable the Government to suspend any council which continued to refuse to carry out its normal functions.

Commissioners would be appointed to ensure the continuation of district council work, which is limited to such services as rubbish collection, burials and the running of leisure centres.

"The Government is not prepared to allow citizens and ratepayers in any district council to be deprived of those services to which they are entitled, nor to allow the jobs of council employees to be put at risk," Mr Needham said.

The Department of the Environment in Northern Ireland already sets regional rates and collects both these and district rates.

In a separate move last week, Belfast City High Court ruled, in an action brought by the non-sectarian Alliance Party, that Unionist suspension of Belfast City Council meetings and refusal to set rates was an abuse of power. It ordered the council to meet before February 15 to set a rate.

The council will hold a special meeting tonight to decide what to do next.

NMW ends talks with Citicorp for broker services venture

BY ALAN CANE

NEGOTIATIONS between Citicorp of New York and NMW Computers, the UK's largest stock processing bureau, to form a company to provide dealing and banking services for stockbrokers in the deregulated UK securities market, have broken down.

The talks were first announced in April last year.

Later this week NMW is expected to announce that it has signed agreements with Barclays Bank to establish a company similar to the projected Citicorp venture. Industry sources suggest that only Barclays has the financial resources, staff and technological expertise to take part in such a venture.

Neither Citicorp nor NMW would comment last night on the reasons for the breakdown in negotations. It is understood that NMW broke off the talks when it became clear there was a danger that the computer-based systems, to be set up jointly by the two companies, would not be ready in time for October 27 this year, the planned date for the "Big Bang" in the London securities market.

The new company will be a "clearing member" of the London Stock Exchange, offering complete "back-office" settlement services to member companies. The only other clearing member announced so far is Hoare Govett, which is offering services based on computer technology developed by its US parent, Security Pacific.

NMW already processes over 50 per cent of stock exchange bargains through its computer buraus service. Its business grew rapidly after Centrefile, the National Westminster Bank computer bureau subsidiary, announced it was leaving the stock settlement business because of the cost of investment in computer hardware and software.

Two large ICL mainframe computers, at a cost of £3m, have already been ordered by NMW to run its new settlement system.

Barclays Bank will be a full member of the deregulated exchange through its investment in stockbroker de Zoete & Bevan and stockjobber Wedd Durlacher Mordaunt. Barclays de Zoete Wedd is one of the 29 firms approved by the Bank of England to deal in gilt-edged markets.

NMW's decision to find another partner instead of Citicorp at this stage reflects the growing nervousness in the City of London over the preparations for the "Big Bang."

Most firms have stretched their financial and management resources to the limit to have their computer systems ready in time. There are widespread fears that some will still not be ready by October.

Labour outlines plan for flexible state intervention of industry

BY MARGARET VAN HATTEM, PARLIAMENTARY CORRESPONDENT

A POWERFUL new forum of state intervention in industry will be essential if British industry is to revive, Mr John Smith, Labour's trade and industry spokesman, said yesterday.

Outlining Labour's industrial strategy in a speech at Sussex University, Mr Smith said Labour proposals for a new, flexible approach to government intervention were attracting widespread support.

"The time has come, I believe, for the founding of a new organisation, perhaps named British Enterprise, organised and funded by government, to be able to establish new industrial ventures on its own, to enter into joint ventures with the private sector and perhaps, most importantly, to act as a catalyst for innovation," he said.

"There is so much that needs to be done that I believe that a powerful new organisation along these lines will prove to be essential. It is a form of public ownership and intervention which offers the possibility of flexible and direct action, with or without private section co-operation, which could command wide support within industry as well as be an effective agent in the planning of our national industrial recovery."

The central failure of the Thatcher governments, Mr Smith said, had been their failure to confront the long-term strategic problems facing the British economy. The present fashion for takeovers offered no solution to these problems, nor was it a substitute for industrial policy.

"We must establish criteria which consider the consequences in terms of the future for employees and the advantages for the development of the industry itself," he said.

"With the current free-for-all, the battle between the sector barons makes money for the advertising agencies and the city finance houses who rival each other with increased profits won through the game of 'Who dares merges.'"

Labour saw the way forward as involving active demand management to raise the overall level of activity and investment, combined with an active supply side strategy involving a co-ordinated use of industrial and trade policy "to address the regeneration of manufacturing industry which is now rightly regarded as central to the long-term recovery of the UK economy."

Stimulating private sector investment in manufacturing would require a trade and exchange rate policy that could help guarantee "sustained and buoyant demand" during the transition period, before a regeneration programme could restore the competitiveness of the UK economy.

In the last resort the UK would have to be prepared to go it alone and adopt whatever individual trade policy were required to sustain expansion, he said. But it would be "infinitely preferable" that UK recovery should be part of a co-ordinated programme involving the other European economies.

Secondly, the extra freedom offered by the existence of substantial stocks of assets overseas as a result of North Sea oil revenues being invested abroad could not be ignored, he said. "The phased repatriation of overseas assets, with institutional tax privileges being made conditional on meeting specified asset portfolio or net investment flow guidelines, could provide a significant proportion of the resources we need," he said.

Japanese buy scotch whisky distiller

By Lisa Wood

TOMATIN DISTILLERS, the scotch whisky distiller which went into voluntary liquidation a year ago, is to be purchased by two Japanese companies. One purchaser, Takara Shuzo, is the largest maker of Shochu, a rice-based spirit.

The sale, for an undisclosed amount, is to a company which has been registered in Scotland by Takara Shuzo and Okura, a major Japanese trading house. For 16 years Okura has handled Japanese sales of Tomatin's bulk malt whisky exports and its brand, Big T.

Mr Minoru Kukita, president of Takara, which will have an 80 per cent stake in Tomatin said there was a declining trend for sales of scotch generally. But he added: "In view of the growing tendency towards quality products, a considerable latent demand can be expected for scotch whisky."

At present Tokaru Shuzo has no whisky brand in Japan. The strategy for Tomatin which is based in north east Scotland and holds 5 per cent of Scotland's malt distilling capacity, is to build up sales of the company's Big T brand. Current sales are tiny, both overseas and in the UK, compared with the major scotch whisky brands.

Mr Masuru Suzuki, general manager of Okura in London, said the intention of the purchase was not to secure supplies of bulk malt whisky. Large quantities have traditionally been shipped to Japan as a component of their scotch. But Japanese scotch exports slumped by over 30 per cent last year because of problems of major Japanese whisky distillers such as Suntory.

Recently Guinness said that should its proposed merger with the Distillers Company go ahead, it would terminate DCL's exports of bulk malt whisky to Japan. Such exports have caused considerable controversy in the industry. Some argue that such shipments harm Scotch sales, while others claim that they get rid of surplus stocks.

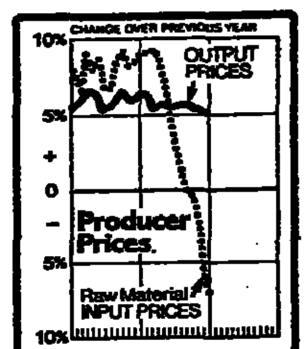
DOWNWARD TREND IN WHOLESALE PRICE INFLATION HALTED

Manufacturers' prices up sharply

BY GEORGE GRAHAM

MANUFACTURERS made sharp increases last month in the prices they charge at the factory gate, reversing the downward trend of wholesale price inflation in recent months. The Department of Trade and Industry (DTI) said the rise was mainly because of a traditional concentration of price increases at the start of the year, but the increase would cause concern if it was continued in the next few months.

Output prices in January rose 0.8 per cent from the previous month, compared with a rise of 0.2 per cent in December. The year-on-year rate of increase rose to 5.2 per cent in January from 5.1 per cent the previous month, according to figures published yesterday by the DTI.



Industry's costs, however, are still subdued. Prices for raw materials and fuel purchased by manufacturing industry fell by 7.1 per cent in the twelve months to January, the largest year-on-year drop recorded since the 1950s. This was despite a 0.3 per cent rise over the latest month. Industry's input prices in the same month of 1985 rose by 1.5 per cent.

January's figures do not yet show the effect of the latest fall in oil prices. Fuel prices in the month remained unchanged. However, the recent fall in the value of sterling will lead to higher prices for non-oil imports.

A new series of seasonally adjusted figures for manufacturers' input prices — announced for the first time yesterday — presents a more favourable picture of industry's costs. Allowing for electricity costs and food prices which vary seasonally, the DTI said producers' input prices had fallen in each month since March 1985.

The seasonally adjusted input price index for January stood 0.4 per cent below December's level, and the year-on-year fall was 7.6 per cent, sharper than the unadjusted fall. The DTI said it did not intend to publish a seasonally adjusted version of the manufacturers' output price index, since it had a less marked seasonal pattern and is affected by budget changes in drink and tobacco duties.

The drop in input prices reflects lower commodity prices and the appreciation of sterling from its lows in January last year. Year-on-year comparisons are expected to become less favourable in the next few months as lower base figures from the second and third quarters of 1985 begin to take effect.

Purchase of BA subsidiary claimed

By David Brindle

COLN VALLEY Investments, a company known largely for industrial property investment and development, said yesterday it had negotiated the purchase of British Airways Helicopters, the wholly owned BA subsidiary.

BA, however, said no agreement had been reached with Coln Valley or with any of the parties with which, it did admit, it had been discussing disposal of the subsidiary.

The statement from Coln Valley caused some surprise. Although a possible sale of BA Helicopters had been rumoured, speculation had centred on more prominent names as likely purchasers.

Coln Valley, a private company established about five years ago by Mr Martyn Meade, last attracted notice last year when it sold its subsidiary Omes Faulkner Holdings, engaged in production of high-quality forgings, to Williams Holdings.

Accounting guidelines

THE LONDON Stock Exchange has asked us to point out that any future guidelines on inflation accounting will be formulated by the Accounting Standards Council (ASC) and not on its own initiative as suggested in the Financial Times yesterday.

The ASC is now working on a discussion paper in inflation accounting after the dropping of its proposals late last year that statutory support should be sought for its standard on inflation accounting. This was rejected by its parent body, the Consultative Committee of Accountancy Bodies.

Low oil price slows UK coal conversion

BY MAURICE SAMUELSON

MANY UK companies that had planned to convert to coal fuel are now having second thoughts because of tumbling oil prices.

Evidence of this has emerged in the dwindling rate of applications to the Department of Energy for grants to assist in converting boilers and other plant from oil to solid fuel.

In the last quarter of 1985 the Department received only 13 applications, well under half the average for the first three quarters of the year. In the same period, for every three offers of grants which were accepted, another two were not taken up.

Department officials have no doubt that the decline in the number of applications stems from the fall in crude oil prices.

While crude prices have fallen from about $30 a barrel to about $18 in the past year, fuel oil prices in Britain have more than halved, but average coal prices have remained unchanged.

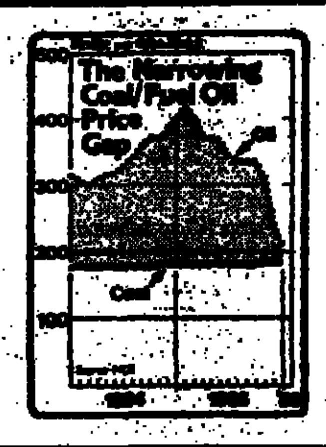
The trend is causing concern in the National Coal Board, which sees the industrial and commercial market as its only growth area.

Mr Ian MacGregor, NCB chairman, said last week that the oil price slide was "a stark reminder that we have to produce coal at costs customers are prepared to pay."

Some 400 grants, worth about £50m, have been paid to a wide range of companies since the scheme was launched four years ago. The grant covers up to 25 per cent of the cost of equipment needed by the applicant to substitute coal for oil or gas.

Despite the falling oil prices, the Government is still encouraging the switch to coal. Last week, Mr David Hunt, Parliamentary Under-Secretary at the Department of Energy, again hailed coal as "the fuel of the future"

Coal Board chiefs, too, believe that their industrial marketing campaign will continue to make headway, at least as long as crude oil prices do not drop below $15 a barrel.



British market for small domestic appliances 'shrinking'

BY CHRISTOPHER PARKES

THE UK market for small domestic appliances is shrinking. By 1989 annual sales will be worth only £620m in real terms, 10 per cent less than in 1984, according to a report from the Euromonitor research company.

The trade reached a cyclical peak in 1984 after a three-year spell of rapid growth, the study says. Now, however, "the industry would seem to have come not to a crossroads but to a dead end." Only replacement demand for worn-out appliances and the occasional successful new introduction offer manufacturers any prospect of growth.

Euromonitor suggests that in future there will be fewer possibilities for innovation or upgrading existing products and that will dampen sales.

It points out that, in any case, improvements to traditional appliances have tended to be more consistently successful than introductions of wholly new products.

Combined sales of the three most successful innovations of recent years – food processors, deep-fat fryers and sandwich-makers – were £70m in 1984. The market for electric kettles, shaken up by the arrival of plastic jugs, was worth £75m.

"Most new kitchen gadgets enjoy a brief spasm of demand before the consumer perceives the lack of true usefulness beneath the mask of novelty," the company says. "Apart from these occasional, and often brief, successes, the market continues to be dominated by the three traditional leading products: vacuum cleaners, kettles and irons."

Among the 15 most common existing small electric appliances, the study forecasts that sales of only one – the coffee maker – will have increased by the end of the decade.

Present leaders in the market are Electrolux and Hoover, each with a 10.5 per cent share. However, they owe their position solely to sales of vacuum cleaners and do not manufacture any other small appliances.

That leaves Philips and Allegheny International of the US, best known for its Sunbeam, Rowenta and Rima brands, in the lead in the rest of the market. They have 9.5 per cent each, followed by Braun with 8.5 per cent, Moulinex (8 per cent), Glen Dimplex (6 per cent), Russell Hobbs, the TI subsidiary (5.5 per cent) and Pifco (4.5 per cent).

Black & Decker, the US company best known for its power tools, launched a range of small domestic appliances late last year, and does not yet appear in the list of leading manufacturers.

Even so, imported products are taking an increasing share of the UK market. Euromonitor estimates that between 1980 and 1984 the value of UK-made products on sale fell from £75m to £81m at manufacturers' selling prices. Imports "badged" with British makers' names or trade marks rose from £32m to £75m and imported brands increased from £56m to £99m.

The small electrical appliance report, Euromonitor Publications, 87-88 Turnmill Street, London EC1M 5GU. £220.

Renewal season gets off to cautious start

BY JOHN MOORE, CITY CORRESPONDENT

REINSURANCE experts in London have been predicting over the past two months that there is likely to be a radical change in their business cycle and the portfolio of business that they underwrite.

The market in London represents an important centre for reinsurance capacity. The Lloyd's insurance community accounts for nearly 10 per cent of world reinsurance capacity and leading London reinsurance companies and other reinsurance carriers bring the City's overall market share to more than 20 per cent of a $40bn (£27m) industry.

The trends in the reinsurance community are followed closely by insurance specialists, for whatever happens in the reinsurance community can have a direct bearing on the trends in the general insurance cycle.

The reinsurance community provides a market in which insurance companies can lay off the risks which are too large to carry on their own account. If the available reinsurance market shrinks then insurance companies are forced to carry more business on their own books. That could lead to a rise in premium rates and increased costs to the consumer.

In the past two years there has been a dramatic change in world reinsurance markets. Since the late 1970s reinsurers have experienced poor results. More participants have entered the reinsurance community, attracted by the low costs of operations, the high returns which can be earned by pure investment activity rather than underwriting and the level of demand.

The explosion in available reinsurance capacity has led to a sharp reduction in reinsurance rates and in the last two years or so an even sharper curbing of underwriting activity.

It is against this background that insurance and reinsurance specialists have entered the present renewal season—when insurance and reinsurance contracts are renewed for the calendar year.

In the last couple of years the renewal period has extended itself significantly. Brokers buying reinsurance protection for their clients have found it increasingly difficult to find available markets for the clients. It has taken a comparatively long time to complete the placing of risks and find available markets.

Usually when insurers lay off their risks they offer a proportion of their business portfolios to reinsurance companies which share an agreed part of their business. However, reinsurance companies have become wary about the type of business they have been offered.

They prefer to accept risks on an individual basis rather than shares in portfolios where they have less control of the business accepted by the primary insurers.

To curb the business volumes they have been accepting, the reinsurers have cut the commissions they pay to the insurance companies passing over the business. They have reduced the level of profit commissions paid to the insurance companies on the lines of business and in some cases eliminated them altogether.

However, these moves have met with limited success in forcing the primary insurers to increase their rates.

Underwriters have noted that the most significant change in the reinsurance market has taken place on US casualty business and world-wide liability business. Professional indemnity business, medical and hospital malpractice, products liability and many third party liability insurances were becoming almost impossible to insure in the US because of the size of claims.

Elsewhere, in the reinsurance market there have been shortages of capacity for motor and third party excess of loss reinsurance contracts covering unlimited claims. Layers of reinsurance agreed with fixed limits, however, could still be placed with reinsurers.

In spite of the improving trends, many reinsurers are worried that the effects of the previous downturn on the insurance and reinsurance cycle will remain with the industry for some time. They argue that large "catastrophe" claims from previous hurricane damage to property in the US, past severe winter weather damage, large liability claims on asbestosis and other liability business have still to work their way through the insurance and reinsurance systems.

"We are beginning to turn the market round," said one underwriter, "but there is an awful long way to go because we have slipped back too far."

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UK NEWS

Highland Express airline set for maiden flight

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

HIGHLAND EXPRESS, a one-jumbo, £99-a-seat transatlantic airline based at Prestwick Airport, in Scotland, prepared for takeoff yesterday.

Mr Randolph Fields, a 33-year-old US millionaire lawyer launched his airline at a reception in Glasgow. Highland Express received its licence from the Civil Aviation Authority (CAA) last Thursday and plans to begin regular flights to Canada and the US from Prestwick, Stansted (north of London) and Birmingham airports on June 1.

The airline will be the first known to make use of government aid in the form of regional assistance grants and to have raised funds through the tax-efficient Business Expansion Scheme.

The Industry Department for Scotland has provided £1m in start-up support in the form of selective assistance based on an initial 200 jobs to be created at Prestwick airport, and a further £1m will be generated with further jobs. An additional £750,000 comes from other government agencies.

The new airline will help to revive the fortunes of Prestwick, which is one of Britain's least-used airports with only two scheduled passenger carriers, Air Canada and Northwest Orient.

A prospectus issued yesterday by Mr Field's financial advisers, Parsons and Company in Glasgow, seeks to raise £2.3m in share capital. Mr Fields has put up a further £1m, half of which is in cash and the other half in guarantees.

Mr Fields told a press conference that he wanted the small investor to have an opportunity to take part in his share issue. Investors spending £3,000 for 5,000 shares will be allowed one free return flight a year. Investors buying 40,000 shares will be permitted unlimited return trips based on available space.

Mr Fields is a former partner with Mr Richard Branson in the Virgin Atlantic airline. He gave up his directorship last year to set up Highland Express. The airline is to lease a refurbished Boeing 747 formerly used by American Airlines.

Highland Express forecasts a pre-tax profit of £819,000 in the first financial year to March 1987, rising to £4m in 1989.

Mr Fields has staked the future of his airline on regional passengers in Britain who do not want to use Heathrow, London, for their connections.

Making maximum use of the Boeing 747, Highland Express plans two flights a week to New York and two to Toronto from Stansted. It will fly twice a week to New York and once to Toronto from Birmingham.

All these summer time flights will pass through Prestwick, as will the four flights a week planned for winter flights to Toronto via New York.

Museums gain new funding incentives

BY ANTONY THORNCROFT

BIG CHANGES in the funding of the UK's nine leading museums and art galleries, including the British Museum, the National Gallery and the Tate, were announced by the Government yesterday. In future, they will be able to keep for their own use revenue accumulated through admission charges, restaurants and book stalls.

In the past, extra income was deducted from the museums' annual government grant which acted as a disincentive to self-help. In 1982 a House of Commons select committee recommended that the restriction be removed and, after discussions with the museums, the Government has approved the change.

At the same time, the Minister for the Arts, Mr Richard Luce, announced that for at least the next three years the museums' annual grants from the Government would not be affected by the new policy. But they could expect marginal annual improvements in their aid.

In another change, the Government has allowed the museums to carry over unspent money at the end of each financial year. This includes sums equivalent to 2 per cent of the annual grant and up to 10 per cent of annual receipts. In the past, any unspent money was clawed back by the Government.

The Government estimates that out of a total subsidy of £50m for the nine museums in 1985–86, about £4m was accounted for by revenue that the museums had generated internally, although it says there was a natural incentive for the museums to minimise declared income.

The Government also announced provisional maintenance and purchasing grants for the museums in 1986–87, which indicate, on average, a 3.6 per cent increase over the current year. The figures are (with purchase grants in brackets): British Museum £11.9m (£1.49m); Victoria & Albert £9.79m (£1.145m); Science Museum £8.749m (£384,000); National Maritime £4.588m (£205,000); Imperial War Museum £4.318m (£126,000); National Gallery £3.936m (£2.75m); Tate Gallery £3.834m (£1.8m); National Portrait Gallery £1.5m (£310,000); Wallace Collection £907,000 (no purchasing grant).

● Kevin Brown writes: The Arts Council is considering an increase in subsidies to save the threatened Sadler's Wells theatre in London, Mr Luce told the Commons. He said the Government had ruled out keeping Sadler's Wells open through direct funding.

Salomon prepares for move out of City

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

SALOMON BROTHERS, the Wall Street investment bank, has confirmed that it is moving from the City of London to new offices in London's Victoria, where it will establish the largest trading floor outside the City.

The decision represents one of the most important City defections yet seen by a player in London's financial services community. The agreement is about to be followed by confirmation that Citicorp will take the major part of Cottons, a 312,000 sq ft office building at London Bridge City, a development on the south bank of the River Thames by St Martins Property.

Salomon has signed a rental agreement worth almost £3m a year at Victoria Plaza in Buckhingham Palace Road. It is a 193,000 sq ft office building funded by Norwich Union and developed by Greycoat London, a company owned jointly by Greycoat Group and Sir Robert McAlpine.

Salomon, which has been negotiating with the developers for several months, will occupy 151,000 sq ft of floorspace and will pay almost £20 a sq ft for its accommodation, against top City rents of £35 a sq ft. The deal involves a 25-year lease but it is understood that a section of the floorspace will be subject to a break-clause, enabling the tenant to give up the accommodation at an earlier date.

Last week it was revealed that Dean Witter Reynolds, the securities subsidiary of Sears, Roebuck, had pulled out of negotiations to occupy the remainder of the building. Greycoat said it expected to fill the space within "the next few weeks."

Salomon is expected to announce full details of its plans for Victoria Plaza tomorrow, but they are known to include a one-level trading floor of around 50,000 sq ft, created by filling in two atriums that formed part of the building's original design.

The decision means that Greycoat can press on with plans for the 350,000 sq ft second phase of the Plaza project for which full planning consent has been obtained.

The building could be completed within four years and it is known that Conoco, the oil group, is interested in taking the entire property.

Channel 5 launches new video venture

BY RAYMOND SNODDY

THE BATTLE for video film sales is about to intensify with the launch yesterday of Channel 5 – a video label which plans to market pre-recorded videos as if they were paperback books.

Classic films such as Citizen Kane, Fort Apache and Top Hat, music videos and children's entertainment are going to be offered at prices ranging from £6.99 to £9.99.

Channel 5 is a joint venture between Heron International, the diversified private group, and Polygram International, the recorded music company.

Mr Gerald Ronson, chairman of Heron, said yesterday he believed the new video venture would have a turnover of about £25m in its first year.

Between them the two groups have access to a library of 600 to 700 films. Heron and Polygram also announced yesterday that they had acquired Precision Vision from ACC to add to its video titles. Mr Ronson said that plans to launch Channel 5 was one of the reasons why he had been a serious, but unsuccessful, bidder at the end of last year for Thorn EMI Screen Entertainment, which has a library of more than 1,000 films.

The first 50 titles to be marketed under the Channel 5 label will go on sale next month in retail outlets in the London area and will spread to the rest of the UK within the next six months.

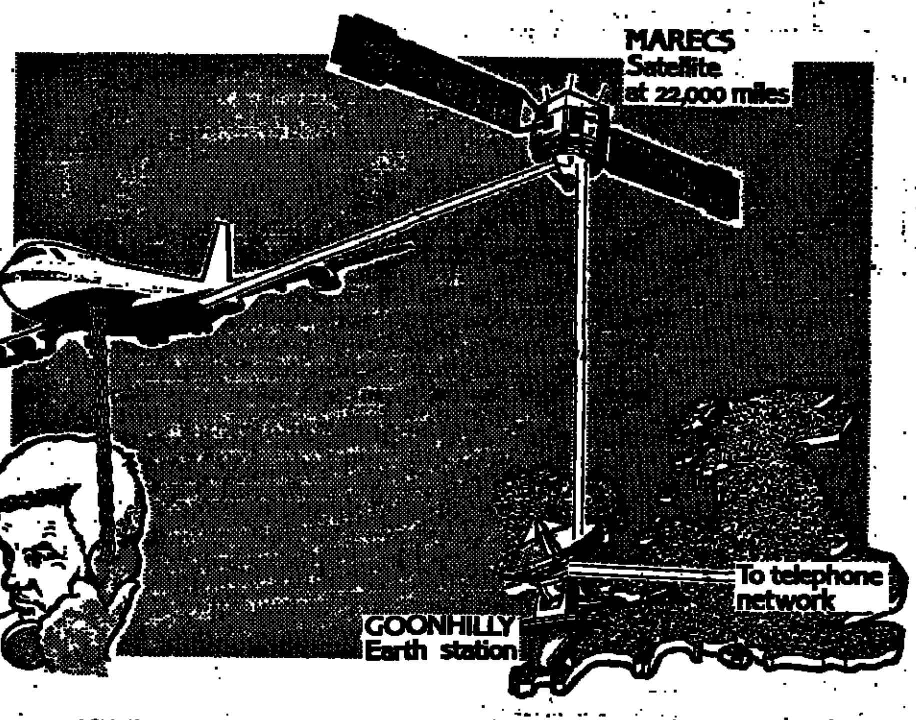
Companies such as Carrefour, the supermarket group, and Woolworth have already found in recent months that reasonably priced videos sell well. Woolworth is believed to have sold 700,000 Video Collection tapes in the past five months.

Mr Steve Mandy, managing director of Heron Home Entertainment, believes that by 1987 more money will be spent on buying videos than renting them.

TECHNOLOGY

Don't call us, we'll call you —in mid-flight

Geoffrey Charlish on a British Airways plan to offer an in-flight telephone service to passengers



BRITISH AIRWAYS expects early next year to become the first European airline to offer passengers an air-to-ground telephone service using advanced satellite communications technology.

Initially, the service will be operated on a trial basis on three of BA's Boeing 747 jumbo jets. It will enable passengers flying over Europe, the Atlantic, Africa and the Middle East to speak to telephone subscribers anywhere in the world.

A similar service already operates on US domestic flights using less sophisticated technology. In Europe, Lufthansa says it also has plans to offer in-flight telephony, though it gives no precise details. Air France is studying the idea.

The BA system will use a satellite stationed above the mid-Atlantic. This can send and receive signals over an area about 10,000 miles across, covering about one-third of the earth's surface.

The satellite belongs to the European Space Agency and is leased and operated by Inmarsat, the international marine and aeronautical satellite organisation, which will charge for channel time as it is used by BA.

Passengers will use a special airborne "phone box" with a cordless handset which they take back to their seats. The handset is released by inserting a credit card, the number of which is sent to the ground station for call charging.

Though it is technically possible to initiate calls in either direction, during the trials passengers will only be able to dial out. BA says the location of passengers on a specific flight is too complex and expensive for the first trials.

Such airborne units are already in use by 18 airlines in the US, supplied by Airfone of Oak Brook, Illinois, which will also supply units to British Airways.

Passengers' calls will leave the aircraft at satellite radio frequencies from a special aerial which will probably be positioned above and behind the flight deck. The design of the aerial is critical to the success of the project. It has to be small enough to avoid drag or structural problems, but big enough to pick up sufficient signal from the satellite to give good speech quality.

BA favours an aerial flush with the aircraft skin, but Mr Chris Webb, director of Racal-Decca Advanced Development of Walton-on-Thames, which is designing the airborne equipment, says there are various options, including a projecting "blade" design.

Signals from the aircraft will be received by the dish aerial on the satellite, amplified, and relayed to British Telecom's ground station at Goonhilly.

Passengers will be able to contact their destination, for example, to book hotels and cars

From there, the call will be manually re-dialled into the UK and European telephone networks by an operator.

Mr Jeff Maynard, telecommunications general manager at BA, plans other uses of the air-to-ground link apart from business telephone calls. For example, passengers will be able to contact destination cities in advance to book hotels and cars, or dial into information databases in order to plan or modify their trip abroad.

The system may also be used for long-range air traffic control. At the moment, although the aircraft captain knows his position within a fraction of a mile, there is no automatic way of making it known to the airline offices at the two ends of the journey.

The system will use digital transmission, enabling it to send digital position information just as easily as speech, using data fed from the aircraft's inertial navigation system.

How the aircraft telephone is flying high in the US

In the US, in-flight telephone services have caught on rapidly since they were introduced 18 months ago. The services are available in 260 aircraft operated by 13 airlines. According to Airfone, the leading supplier of airborne and ground station equipment, for every 100 passengers making flights, over 20 calls will be made on average.

Instead of a satellite, the US system uses 60 VHF ground stations distributed throughout the country. To date, Airfone has spent about \$100m (£71m) building the system, but will not disclose revenues.

Sandra Gooken, company secretary, says the airlines are actively using the service as a seat selling tool.

The Federal Communications Commission, which had previously resisted allocating frequencies to the service, regarding it as something of a luxury, has relented for the time being and extended Airfone's experimental licence for another two years.

Airfone's next product is a "one per seat" telephone, with a cord, so that users do not have to get up to initiate a call.

Miss Gooken has recently been in Europe to drum up interest in the Airfone terrestrial approach.

But satellites seem a better proposition for Europe. With a multitude of national boundaries, the interworking of many small ground stations, "handing on" aircraft and charging could be difficult. Even so, Airfone says its solution, overall, is cheap, with ground stations costing \$100,000 each.

IT—and getting it right first time

Geoffrey Charlish on a technique based on software that may help companies to save money

A SOFTWARE-BASED technique called Tetrarch that allows medium-to-large organisations to plan and develop a computerised information system, with some assurance of getting it right first time, has been devised by PA Computers and Telecommunications, a London consultancy.

Mr John Emberton, product manager, says up to half a company's spending on information technology goes on "re-development," a euphemism for correcting mistakes made the first time. About two-thirds of IT implementations overrun both the time and money originally allocated.

Tetrarch "puts business first, computers second," says Mr Emberton, who will provide consultancy and software to run on an IBM PC, so that an information systems planner can judge where IT investment should be concentrated.

PA claims Tetrarch "offers the potential for up to 30 per cent savings on development costs." It also promises to free much of the money spent on maintaining and re-engineering unsuitable systems, an activity which accounts for 55 per cent of total software development expenditure in the UK, according to PA.

Mr Emberton claims that, in many cases, systems are planned despite user needs rather than because of them. He says so far there has been no proper methodology that will integrate the stand-alone capacity planning and similar tools already available.

Tetrarch tackles the problems on a wide front, starting with the key business issues, working through systems analysis and design and ending with software development. Hardware planning runs in parallel and the system will identify appropriate hardware and software, the expected capacity requirements and performance.

Spikes provide clue to a strong bond for industry

David Fishlock, Our Science Editor, on research at Aston University which could influence adhesive bonding in the car industry

The clue to a strong joint in adhesive-bonded aluminium structures is a dense surface pattern of sharp spikes of alumina (aluminium oxide) a few microns high, growing from the metal surface.

This is revealed in a series of vivid electron micrographs obtained by David Arrowsmith and his co-researchers at Aston University, Birmingham. They are using a scanning electron microscope to study anodised aluminium surfaces by direct examination.

Their finding could have an important influence on whether batch processes currently used for the adhesive bonding of aluminium alloys in the aerospace industry can be transferred successfully to continuous production lines making cars.

Dr Arrowsmith, in his recent Hothersall Memorial Lecture to the Institute of Metal Finishing, showed how for a strong bond with a wide distribution of stress at the interface it is necessary to develop the very peaky surface pattern.

The alumina spikes interlock with the adhesive, mechanically reinforcing it in the same way as high-tensile alumina whiskers can be used to reinforce a polymer matrix. Phosphate ions absorbed on to the alumina surface during the etching process which produced the spikes can increase the bond strength and prevent weakening of the alumina by hydration.

The best bond strength obtained in this way is nearly double the strength of bonding between anodised aluminium surfaces which have been only degreased and glued. A final dip in dilute phosphoric acid after the spikes have been etched adds an extra 5 per cent to the bond strength, by allowing adhesive to penetrate more deeply into the aluminium oxide.

Ahesive bonding by the car industry for a new generation of fuel-economy cars will require high-speed manufacturing. Dr Arrowsmith says Aston has studied new ways of pretreating aluminium at high speed, and shown the superiority of alternating current (AC) anodising in phosphoric acid.

Now his group is investigating mixed-acid electrolytes and the production of a multi-layered anodic oxide surface tailored to motor industry needs.

Shrinking dictating cassette

THE TAPE cassettes used in hand-held dictating machines continue to get smaller. The latest design, from Dictaphone, measures only 1.4 ins x 1 ins x 0.2 ins, yet it can hold 30 minutes of speech a side.

Initially the cassette, designed with the assistance of Japan Victor Company (JVC), will be available only on Dictaphone office dictation machines, the first of which is the Exec pocket unit. This measures only 4.25 ins x 1.75 ins x 0.75 ins and is lightweight.

The Exec has a liquid crystal display showing how much recording time has been used, the number of sessions on the tape and the length of each. The display also shows the location of any special instructions to secretaries that have been recorded.

The machine has an increased sensitivity setting that allows it to be used in conferences and an "end of tape approaching" warning tone. Dictaphone claims high speech quality for Exec and more details can be had on 0926 38211.

Polishing the china

ABRA-FIN of Slough, Berkshire, has introduced vibratory machines which polish ceramic items such as cups and saucers following completion of the firing process.

The items are placed in a large bowl which is vibrated with small chips, some made from wood and others of ceramic substances. The chips remove small flakes of surplus material from the surface.

The company has developed the bowl with help from Central Ceramic Services of Stoke-on-Trent.

More on 0753 75533.

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FINANCIAL TIMES SURVEY
Tuesday February 11 1986

Countertrade

Although falling oil prices have thrown many deals off balance, countertrade has managed to hold on to its share of the market

Price instability hits expansion

By FRANK GRAY

A SUDDEN FALL in world oil prices, the collapse of numerous proposed deals, and severe financial reverses for several trading companies, have come as a jolt to the business of countertrading.

The world trading phenomenon of recent years, countertrade has owed its success and its growth to the world economic crisis, and the different ways in which it has affected both rich and poor countries.

The industrial nations of the West have been keen to sell their products to keep factories fully occupied but have found their traditional customers unable to raise the necessary hard cash.

Those countries have beeen equally anxious to acquire western goods in many cases in order to modernise their own industries. The answer has been to exchange—resources, such as oil, or relatively low technology products one way, industrial and consumer goods the other.

This growth has now been checked, however, by the difficulties encountered by some of the best-known practitioners of countertrade.

Nowhere was this more sharply underlined, than in Austria, where, in recent months, Intertrading, a unit of the Voest-Alpine steel group, and Merx, a trading unit of Chemie Linz, have suffered heavy losses in connection with oil barter deals with Iran.

In Nigeria, which emerged a few years ago as Africa's most aggressive user of countertrade, largely based on oil resources, numerous deals have been cancelled or suspended as unworkable. For a time, the country's countertrade policy was put into abeyance and, only more recently has it been cautiously reactivated.

Just as the oil price rises of the 1970s sparked the recession and gave impetus to the growth in barter, the sudden and sharp price fall is prompting widespread concern that oil may no longer be invulnerable as a tool in countertrade.

This unexpected reversal of fortune for oil barter specialists stems from the decision by the Opec members last year to end the two tiered price system—the so-called Opec official price which was deemed artificially high, and the real, spot market price.

With this has come the end of the oil production quotas, the existence of which through last year caused many producers to conclude billions of dollars in barter deals to circumvent their own self-imposed restraints.

The resulting unpredictability of prices is now imperilling the oil barter market in a way that does not affect other commodity deals where prices, while low, are *far more easy to predict.* Yet, while the Organisation for Economic Co-operation and Development (OECD), the Gatt and other opponents of countertrade can take satisfaction that some of the dynamism has gone out of the practice, the fact remains that its growth potential is strong.

It is abetted by the halting recovery of the Western economies, lack of a cohesive programme to resolve the Third World debt crises, and the ongoing weakness of the non-oil commodities, many of which are the sole items of trade for developing countries.

In recent months, Malaysia, advised by Barclays Bank of the UK, has firmed up a national countertrade policy. Pakistan, which has long countenanced bartering on an unofficial basis, is now commissioning several Western trading companies to use countertrade specifically to improve the quality and balance of its trade. Greece, with the support of its banking community, has set up an organisation to handle countertrade.

In some South American countries, such as Venezuela, Colombia, Ecuador and Brazil, an increasing number of state or large private companies are using reciprocity as a lever when concluding deals with foreign suppliers.

Nowhere is this more evident than in Turkey, where a long saga surrounding the supply of $4.2bn in F-16 fighter aircraft by General Dynamics of the US continues. US trade officials believe the deal will be worth $5bn, of which $2bn is likely to be offset by trade.

The sophistication with which countertrade is being practised suggests that it has been far more prevalent in the post-war trading system than has so far been admitted or recognised.

The countertrade involvement of the US—nominally an opponent—was underlined in a recent International Trade Commission report. The report said that in 1984 alone some $7.1bn in sales agreements involved countertrade, of which military-related offsets amounted to $5.8bn. The countertrade obligations incurred as a result of those deals required US companies to *handle some $2.7bn* in transactions for their customers.

Political concern has been voiced in Washington about the offsets, and the loss of US technical leadership through technology transfer abroad, and this has prompted a series of ongoing hearings by the House banking sub-committee.

The evidence given, however, sought to allay fears on this. *Mr James Blaker, the Deputy* Assistant Defence Secretary, told the committee that the offset programme was important in that it gave US alliance partners a capacity for self defence and helped create a multinational defence force. Technology transfer was not such that the US defence base had been eroded, he said.

The committee was reminded at various times that US multinationals, particularly in the aerospace field, employed teams of people whose role was to purchase goods from overseas customers. Indeed, it was the US offset programme, begun in the early 1950s, that provided the basis for its subsequent handling of countertrade.

Mr Joel Johnson, a vice-president of the American League for Exports and Security Assistance, sought to discourage Washington's involvement in setting policy for his group's members, which include the big aerospace concerns. While cash-for-goods was desirable, American companies had to be competitive.

Any effort to allay the use of countertrade would have to be done on a multilateral basis, and not be just a unilateral attempt to "fix" something the US deemed was wrong. He added that information about offset was sensitive and any government mishandling of it "would whet the appetites of foreign customers for even more. . . ."

One of the main hurdles the system still has to overcome, however, is the continued opposition of the international economic establishment.

In a report issued last year, OECD found that countertrade accounted for just 5 per cent of world trade, that is about $80bn. While the figure is generally conceded as far too modest by many trading organisations, the OECD concedes that the practice has grown sharply. It notes that, from the company point of view, the use of countertrade, or more simply reciprocal trading, to help win an export order, has its appeal. OECD, nevertheless, sees dangers to the world trading system from too widespread a growth in the practice.

Gatt's case, too, is that bilateralism distorts the normal growth of trade and that it often perpetuates inefficiencies in a specific nation's trading industries.

Even worse, it excludes non-participating countries from expanding their trade and often locks countries into long-term and disadvantageous trading patterns, as is common within Comecon or among certain western nations, such as Finland, which trade heavily with the Comecon bloc.

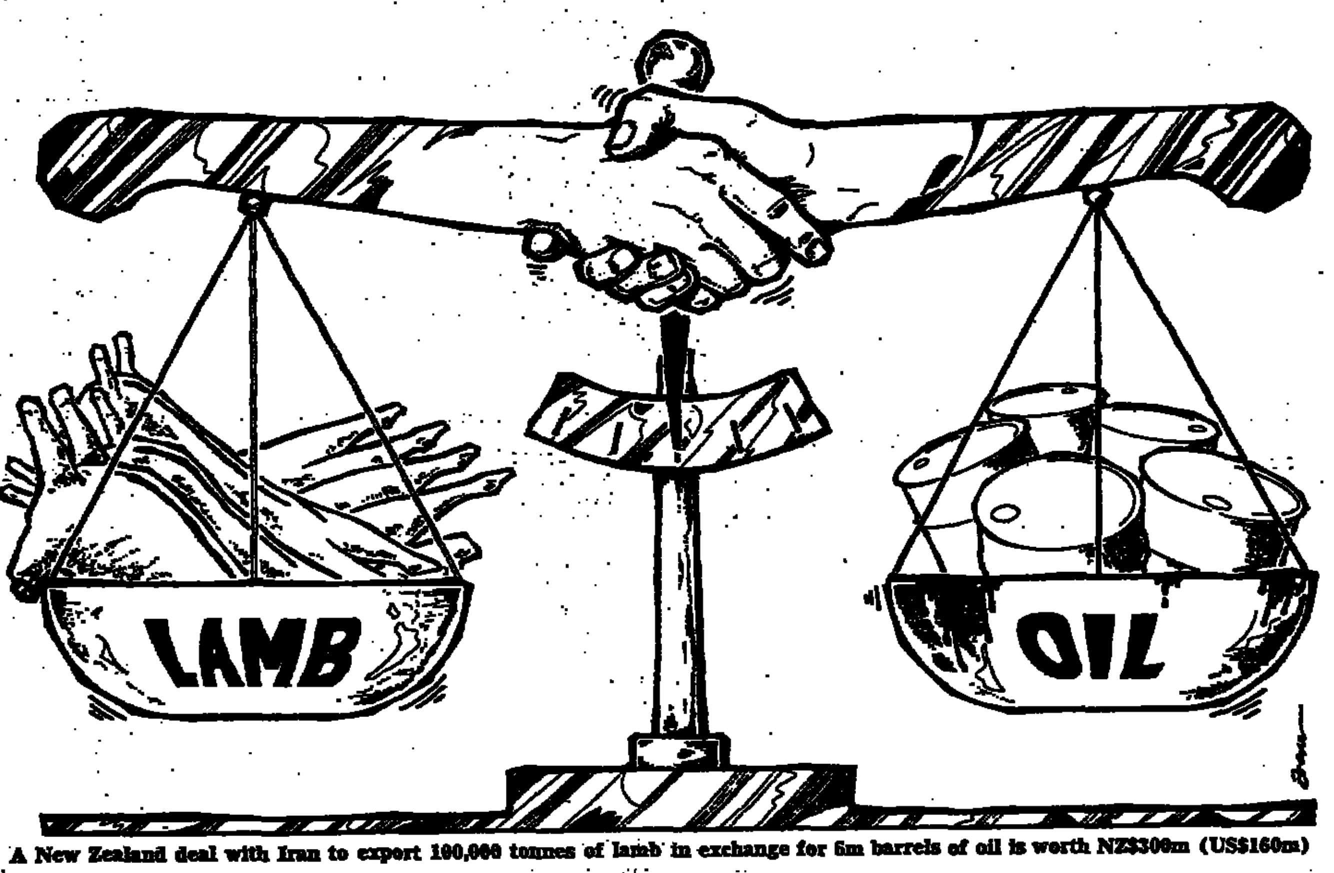
"Substituting discriminatory, bureaucratic decision-making for the impersonal workings of market forces may buy some peace in the short run, but only at a heavy cost in terms of its impact on the medium-term prospects for friendly commercial *and political relations,*" says the Gatt report.

The long-term professionals in the business privately agree with the Gatt's concern. But they point out that countertrade will not go away as long as there is a debt crisis and as long as a vast part of the world is devoted to centralised planning with all the associated problems of lack of convertible currencies.

As a British Trade Department official recently told a trade seminar, it was perilous to be too sanctimonious about so-called pure trade. Was not money itself a volatile commodity, he asked? And were not the money merchants responsible for much of the Third World debt problem?

"Now they find the costs of repayment or refinancing seriously affected by demands for this commodity outside their control—such as the US budget deficit.

"The purveyors of money have a selling job to do in many parts of the world today," he said. "There is a confidence gap to be made up."



A New Zealand deal with Iran to export 100,000 tonnes of lamb in exchange for 6m barrels of oil is worth NZ$300m (US$160m)

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Countertrade 2

More careful scrutiny of the big deal

View from the City

FRANK GRAY

BRITISH BANKERS and traders specialising in countertrade are in virtually unanimous agreement that the chaos that accompanied the growth in the worldwide use of barter in the first part of this decade has now given way to a period of welcome maturity.

This levelling off is reflected in both the higher quality of inquiries they are receiving from would-be customers and in their own more sensible screening of proposals for countertrade deals.

At the same time, while the *market* continued to *show* growth in 1985, a certain shaking out is occurring that is seeing many trading organisations severely curtail their exposure in what is an intriguing but sometimes unremunerative trade practice.

"*What we have seen in the* last year is a greater degree of professionalism in handling countertrade proposals," says Mr Alan Linger, the countertrade manager for Lloyds Bank. "We are much more swift to say not to deals that we do *not think will happen.*

"We estimate that about one in 20 proposals deals stands a chance of taking off. The ratio used to be much higher."

To a large extent, the changed trader / customer approach has been facilitated by the countless conferences throughout the industrialised world in recent years dealing with the growth in countertrade, which is variously gauged to account for between 5 per cent and 30 per cent of all world trade.

"Any business with capable management is now aware of countertrade and what it entails," notes Mr Colin Comery, National Westminster Bank's countertrade specialist. "This is not to say that they have in-house teams themselves to deal with it but they know better than ever where to go for help."

One indicator of the maturation is the disappearance of what in the trade is known as the "tizzy hunter," the trader who proposes the particularly zany deal, so many of which added colour to the early days of the barter boom.

Some proposals have just enough scope to merit actually opening a file by a bank or trading organisation, such as a recently proposed oil barter deal with Iran that would have included British-made *false* teeth as an item of countertrade.

Morgan Grenfell, the merchant bank, in fact concluded a deal involving shipment of Raleigh bicycles to Zanzibar in exchange for textile products.

Midland Bank's UK and Viennese countertrading divisions combined to help put through a £6m boiler export deal to Malta by Foster Wheeler UK. The deal required another UK company to step up exports of stainless steel sinks.

Many countertrade specialists say that such deals remain tantalising and that it sometimes takes an effort of will to say no to them at an early stage.

Bankers, as opposed to the specialised trading companies, feel comfortable with deals ranging anywhere between £1m and £10m. Often they are smaller, particularly if they involve trade in Comecon, an area of speciality especially strong with Kleinwort Benson, which is a partner with Polish *and Italian banking interests* in Centro Bank of Austria, a Comecon specialist.

Mr John Burge, Kleinwort Benson's countertrade manager, says Comecon has always provided steady business, but the real spur is in developing new *markets.*

Indonesia, for example, was a focus of worldwide attention a few years ago when it formally established a national countertrade policy for many goods except oil. Business there has now become more regular, and focus instead is shifting to other markets, such as Malaysia where countertrade is becoming obligatory in many deals.

The view is shared by Mr Ed Miller of MG Services, the London-based countertrading arm of the Metallgesellschaft metals group of Frankfurt. His company expects to participate this month in a countertrade policy being formulated by the Government of Pakistan, where trade is in chronic deficit.

Despite problems in Latin *America, many countries* there are still deemed attractive for countertrade. Brazil has no national government policy but many state-owned companies do have policies "and they implement them," says Mr Miller.

China, probably the most *universally tantalising* market among the countertrading fraternity, is also sharpening its expertise. Decentralisation of trading responsibilities to some of China's regions should facilitate the growth of countertrade.

Some UK institutions have been *effective* in providing consultancy facilities for various national interests, which works as a nice filip should actual structuring of formal deals prove less successful.

Big trading companies such as MG Services see banks as basically support services, particularly in administration and documentation of deals, such as handling of letters of credit. Clearing banks often perceive themselves as capable of being mainstream traders.

Merchant banks express envy at the clearer's because of their ability to draw on the resources of their export finance departments.

"Merchant banks basically must be profitable on specific deals and we cannot allow our countertrade operations to run at a commercial loss," says Mr John Cheatle of Samuel Montagu.

While London has emerged as one of the premier centres for countertrade, it is generally conceded that most business involves non-UK concerns. Some 80 per cent of British exports is done on open account—basically cash for goods—a figure that has remained constant for some years, said one banker. "This would indicate that not much new business is coming out of the UK."

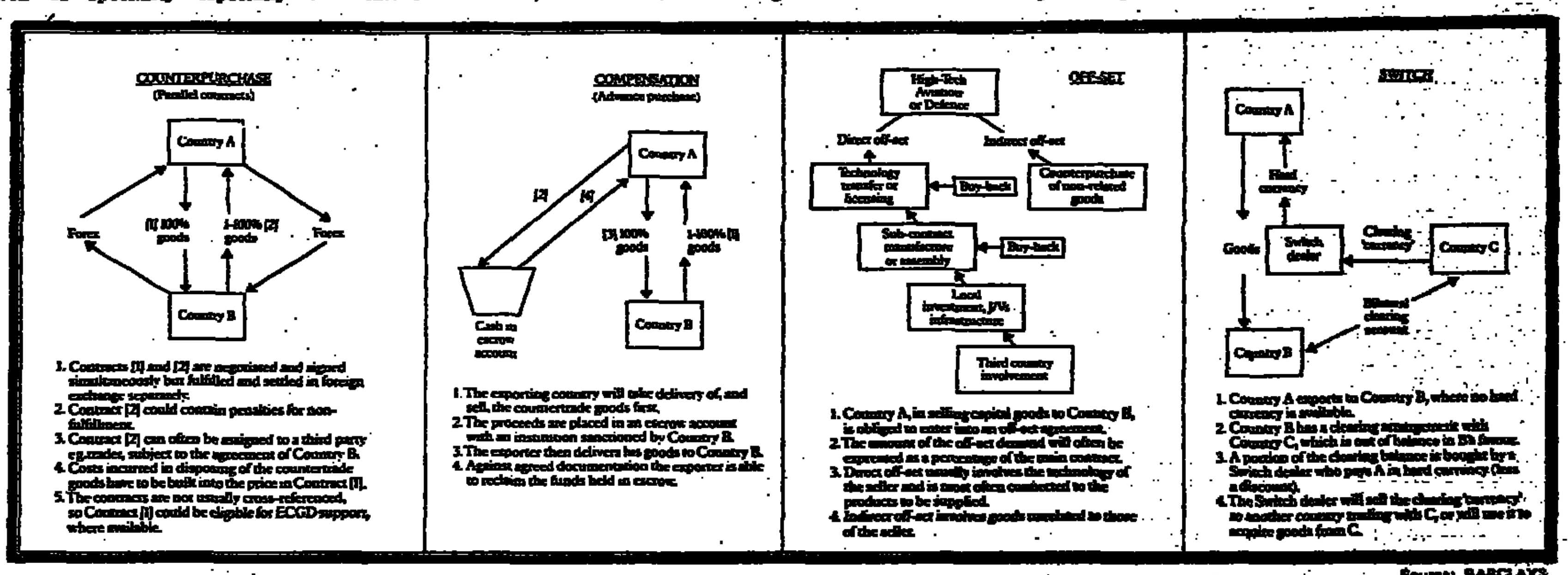
The surfeit of countertrading organisations or the expansion of existing trading units that occurred during the height of the recession has been scaled back in the last year.

The London office of Philipp Brothers, the US trading company, has had its staff cut sharply in the last year since its takeover of Salomon Brothers, the US investment bank. Belt-tightening on a smaller scale has affected the London countertrade sections of Lazard Brothers, the UK merchant bank, and Citicorp of the US.

These are sufficient reasons why a cautious approach to countertrade is preferred to the more adventurous approach.

Mr Roy Bracher of Manufacturers Hanover, the US bank with London as its countertrade base, says: "Barter must support the mainstream trading interest of the bank, and this is one reason why one should not go off on tangents.

"It is the best to remain lean and country-specific and not try and conquer the world."



Source: BARCLAYS

LONDON TRADERS are fond of telling the story of the chemical products group with strong ties with Eastern Europe. When the company's representatives arrive on a client's doorstep in, say, Prague or Budapest, they immediately present a long and impressive shopping list of what they want to purchase. While the offer is always serious, it is the opening gambit in what is the basic objective of the mission—to sell the company's own goods.

The transaction might be called "reverse countertrade," but specialists long accustomed to the intricacies involved in doing business with Comecon, prefer to call it "revenge barter."

Revenge barter won't be found in any normal glossary of countertrade terms, but it can apply to virtually any of the numerous techniques involved in reciprocal trade. It depends on the skills of the party who initiates the proposed deal.

The following is a digest of definitions describing types of transactions:

● BARTER: A straightforward exchange of an exporter's goods for the goods and service supplied by the importer. Cash is not a major component except for commissions and service fees.

● COUNTERPURCHASE: Requires the exporter to accept part payment for his shipment in goods. Cash is usually the main ingredient, but the swapping of goods is crucial to completion of the deal.

● BUY-BACK: Regularly used in trade with the centralised economies, it applies often to projects whose output will be used to finance the deal. It is often used in markets deemed by the exporter to be strategically important over the long term.

● OFFSET: Frequently used in large transactions among industrialised countries and between industrialised and developing countries and requires the exporter, usually of military or civil defence or aerospace equipment, to make investments in the client country in terms of plant, components or alternate industries, to "offset" the cost of the goods sold.

● SWITCH: Used in correcting imbalances in long-term bilateral arrangements and involving complex tie-ups between buyers and sellers. It requires maximum skill, usually provided by multinational trading houses.

● EVIDENCE ACCOUNTS: Enables the exporter to offset his own counter-purchased imports and credit his exports over a period of time rather than merely matching goods on an item-by-item basis to match the goods exported.

New realism after heavy losses

Vienna

PATRICK BLUM

VIENNA'S REPUTATION as a leading centre of expertise for countertrade has taken a knock following the disastrous losses incurred last year by two of Austria's largest trading houses as a result of heavy speculation on the international oil markets.

The two companies, Voest-Alpine Intertrading, a subsidiary of Voest-Alpine, the large state-owned steel, engineering, electronics and trading group, and Merx, a subsidiary of the chemicals group Chemie Linz, another state-owned company, together posted losses in the region of Sch 5bn ($317m) of which at least Sch 2.4bn were incurred by intertrading alone.

These spectacular losses however distort the true picture. There are numerous trading houses and banks in Vienna which continue to trade successfully and offer assistance in countertrading. They are rarely in the news and they tend to be secretive but they handle the smaller transactions which represent the bread and butter of the trading community.

Dr Herbert Stepic from Elmer and Unico Trading, two sister companies, says that the big headline catching deals which run into hundreds of dollars are exceptional. "Most of the business is in far smaller transactions," he says.

Intertrading and Merx's losses appear to have been almost entirely the result of highly risky speculations in oil futures based on an early fall in oil prices. When the fall eventually came it was too late for the two companies.

A government investigation is still under way to determine exactly what went wrong, especially with Intertrading which suffered the most serious losses. Initial information suggests that the company sought unsuccessfully to boost its earnings by taking up short-term speculative positions. In addition, the company has faced problems with some of its large oil-for-goods countertrade commitments.

This was the case with a $2bn oil for food and equipment barter deal signed with Iran last year. The oil bought at high official prices could only be sold at a loss because of declining prices. The loss could in part be compensated by commission earned from West European companies involved in the barter deal but according to some officials the margin was too great to cover sufficiently the original price of the oil.

Although the Voest-Alpine group benefited from the deal since it opened avenues for additional exports, Intertrading's attempts to cover the costs of the oil by charging high commission rates deterred prospective companies initially interested in participating in the countertrade deal.

The company's attempts to recoup some of its losses by intensifying its speculative operations, buying and selling oil futures, brought disastrous results. These operations were considerably increased in the second half of 1985. Officials suggest that over the summer and in early autumn Intertrading had undertaken large futures commitments to sell oil by the end of November based on the premise that the price would fall. This had disastrous consequences since oil prices strengthened in the preceding period.

Some officials suggest that if the company had been able to hold out for a little longer it might instead have made a substantial profit, but it is not clear whether it was in a position to do that or whether it just panicked and sold earlier in order to cut its losses before closing its annual accounts for 1985.

Intertrading's rapid growth from a modest subsidiary set up seven years ago to handle Voest-Alpine's countertrade commitments to an international trading house ranking among the world's top six oil traders was not achieved without taking risks. Some officials say that it grew far too rapidly and that it had too few sufficiently experienced staff to handle such large business volumes.

Both companies have been ordered to stop all oil speculation and their managements have been replaced. If they need to enter oil barter deals in the future these will have to be done through OMV, the state-owned oil and gas company, government officials say.

Traders and bankers in Vienna believe that Intertrading and Merx's misfortunes may act as a timely reminder of the need for caution, but they are worried that the two companies' losses will damage Austria's reputation. Vienna, they say, is still attractive to companies because it is close to Eastern Europe with easy access to East European markets and because of the expertise that has developed in the city over the years, especially in countertrade.

Nevertheless, Vienna, like competing centres elsewhere, has felt the effects of tougher international competition and of the economic downturn in many East European countries. Opinions vary about prospects but there is agreement that the boom years of the 1970s are over.

There is a greater feeling of realism, says Dr Helmuth Bohunovsky, from the Midland Export-Credit Bank. "Until 1981-82 many exporters wanted to penetrate the East European market and accepted all sorts of conditions," he says. "Inexperienced companies got into trouble while others found terms increasingly unfavourable and expensive."

Many companies have now withdrawn from the East European market, closing down offices in Vienna or in Eastern Europe. He believes that there is a better appreciation of the difficulties and of the opportunities of the market. "Now there is a more realistic situation than in the '70s," he says.

Expectations have also been raised about opportunities that may be offered by the new five-year plans starting this year in the Comecon countries. According to bankers, trade and countertrade balance are picking up with most East European countries.

Despite hopes for further growth, Vienna's bankers and traders are increasingly diversifying their markets, using the experience gained in Eastern Europe to develop new business in the Far East and South America where countertrade is demanded of exporters.

Dr Alexander Waldstein from AWT, a subsidiary of the Creditanstalt Bankverein, says that five years ago Eastern Europe represented 80-90 per cent of his company's business. "Today over 80 per cent of our business is outside Eastern Europe," he says.

Not everyone is as enthusiastic. One banker who prefers to remain anonymous has a more sceptical view. The only real growth area is in conferences and seminars dealing with countertrade and its problems, he says. "That's the only countertrade business where you get hard cash on time and where you are assured of a profit," he says.

Cautious line on future deals

Nigeria

PATTI WALDMEIR

Major-General Babangida: go ahead for cautious resumption of oil swap negotiations

NEARLY SIX months after the military coup which brought Major General Ibrahim Babangida to power in Nigeria on a platform which included opposition to countertrade, the Government has given the go ahead to the cautious resumption of the oil swap negotiations which so preoccupied businessmen and foreign commercial attaches in Lagos during the first half of 1985.

This time last year, there was little caution in evidence either on the part of Nigeria's eager negotiators (some of whom have since been accused of corruption) or on the part of the foreign companies and embassies which battled to grab a share in West Africa's largest market.

The result was that Nigeria burned its fingers on countertrade, concluding over US$1bn in swap deals which proved costly and, in some cases, impossible to operate.

Conceived as a method for tiding Nigeria over a period of severe foreign exchange shortage and limited overseas credit, the strategy was quickly sabotaged by last summer's steep fall in oil prices, which made the rigid price provisions of some of the agreements unworkable.

Shortly after the August 27 coup, President Babangida launched a comprehensive review of the strategy, appointing a committee of leading businessmen and academics to assess the terms of the agreements concluded with Brazil, France, Austria and Italy, under the former military government of General Muhammadu Buhari, and to recommend what role oil swaps could play in future.

The report of the committee, most of which was kept secret, confirmed President Babangida's post-coup criticisms of countertrade: that many goods imported under the deals, especially from Brazil, came in at exorbitant prices, and that former government officials and some private individuals have exploited the deals for their own financial gain.

Reluctant

Its final conclusion was a somewhat reluctant endorsement of the oil swap strategy. Given the severity of the economic crisis, the committee concluded: "It would be difficult to fault the use of countertrade as a short-term measure for national economic revival and sustained development."

With Nigeria's external payments position rapidly deteriorating as debt service climbs to unprecedented levels (as much as 50 to 60 per cent of export revenues in 1986, without rescheduling), the committee's view was that countertrade must continue, albeit on a selective basis.

Countertrade deals would henceforth be sought to finance the completion of priority projects such as the $2bn to $3bn second phase of Nigeria's ambitious petrochemicals manufacturing programme, a $5bn to $8bn liquefied natural gas plant and the controversial US$5bn Ajaokuta steel project, the largest in black Africa.

Imports of essential raw materials, machinery and agricultural equipment would be given priority over food and consumer goods; CKD (completely knocked down) vehicle assembly kits would continue to be imported where their price would be verified as competitive; and attempts would be made to use crude oil to service some debts.

As far as possible, agreements would be on a government-to-government basis which would cut out the trading company intermediaries, blamed by the committee for charging excessive margins on the deals and swaps between Nigeria's subsidiary companies and their foreign parents would be encouraged.

Three months after the committee presented its report, Nigeria's oil swap strategy remains in limbo, and escrow accounts set up under the Austrian and Brazilian deals are understood to be swollen with several hundred million dollars in funds which cannot be spent until the Government authorises goods to be imported.

None the less, trade officials at several Western embassies are gearing up for a new negotiating session following the appointment late last month of yet another review committee, charged this time with renegotiating the old deals and clearing the remaining escrow balances.

The terms of reference of the committee which is chaired by a prominent Lagos businessman and includes a journalist and a police commissioner, but has been criticised for lacking any members with oil markets or countertrade expertise, are broad; existing or suspended countertrade deals are to be renegotiated to ensure that Nigeria's interests are protected; a refund is to be demanded where goods imported are shown to have been overpriced: the balance in escrow accounts is to be used to finance priority imports; and the pricing of crude oil under the agreements is to be re-examined.

High margins

The agreement which is most likely to survive the committee's scrutiny, albeit in renegotiated form, is a US$500m agreement with Cotia of Brazil, the country's largest private trading house. Oil liftings under the deal have continued despite the withdrawal of the import licences issued for goods supplied by Cotia, and a substantial escrow account balance has built up.

Cotia has been sharply criticised for charging high margins on goods such as sugar and chemicals, but trade officials believe that the arrangement will be fully reactivated.

The oil price provisions of the deal, which were determined on a net-back basis (a method which links the crude price to the price of refined products and thus represents a form of discounting) allowed the agreement to operate even when oil prices were low, and officials believe that such a pricing system will be adopted for future countertrade deals.

A US$200m swap with Austria's Voest-Alpine Intertrading, may also be looked on favourably. Liftings under the deal have been completed, but no goods have been imported, leaving an escrow account balance of US$200m to be disposed of by the committee.

The $500m agreement with SCOA, a Paris-based trading house which was suspended after only about a third of the oil had been lifted, is unlikely to be revived. But a US$400m swap arrangement with Italy's Fiat group and ENI, the state oil company, which was close to conclusion just before the coup, may be reactivated if it can be used to finance construction of the planned natural gas pipeline from Escravos to Lagos.

The implicit conclusion of the original countertrade committee in its report was that Nigeria had been bettered by its partners in the complex negotiations leading to last year's deals and there must be serious doubts whether the new committee will prove a match for experienced negotiators from countries like Brazil and Austria, where countertrade is practised aggressively.

Nonetheless, the pressure to revive the oil swap strategy can only increase in the next few months as Nigeria enters the worst economic crisis since its independence.

Harder for the middleman

Opec

CHRIS CRAGG

COUNTERTRADING IS complicated enough without the problem of trying to calculate the forward price of crude oil, or at least this would appear to be the lesson of the past six months in the oil-for-goods international barter business. With the exception of some eccentric deals like that between the UK and Saudi Arabia, exchanging crude for Tornado jet aircraft, the crude countertrade business has been on the decline.

There have been a number of revelations which suggest that it was never quite as large as was *originally thought. The underlying* logic for the business still remains for a variety of developing world purchasers, but for producers and for some developed world buyers, the situation has changed.

The reason, of course, is the uncertainty surrounding the oil price. This has always been present as a constant threat to deals. A UK Talbot car company deal with Iran, worth a reported $140m and signed in March 1985, went on ice late last year, long before the present price uncertainty.

Similarly a deal in June between Libya and the Spanish banks for debt repayment worth $80m fell through because Hispanoil refused to lift at the posted price, then $4 a barrel above the spot market. However, failures of this kind were not the consequence of a reluctance to barter oil, nor to receive it in payment. They were the result of a failure, common in countertrade, to get the right bargain.

The present situation in contrast is the result of a qualitative change in the structure of the oil market and a quantitative change in oil price volatility. Aside from a very obvious reluctance to take a substantial share in the risk of plunging oil prices, which makes finding the right bargain even more difficult than before, purchasers are beginning to have doubts about disposal, particularly of large short-term quantities.

For their part, producers have discovered a mechanism for gaining longer term sales arrangements for cash, which has the unintended side effect of damaging the position of the countertrade purchaser, namely the netback deal.

These structural changes in the market have arisen directly out of Saudi Arabia's decision, first to adopt netback pricing and then to produce above "quota" to regain market share. As long as Opec could rely on Saudi willingness to sustain losses of markets for the sake of prices, countertrading could make excellent sense for both partners in a deal. For some producers, it was a convenient way to sell more at a lower price; in short to cheat against quota. This explains Opec's antagonism.

For purchasers, provided that price volatility remained within the plus or minus $2 a barrel range, it was a convenient way of selling goods that would not otherwise have been sold at all. The risk remained within the *bounds of negotiation.*

Terminated

Saudi Arabia's netback arrangements terminated these conditions. By discounting prices against oil product sales in the receiving country and against transport costs, with an element of spot Rotterdam product related pricing thrown in, the Saudis gave Opec a sudden dose of market-related pricing, at least in the short term. The impact took some months to build up but the strategy behind it should not be underestimated, in spite of the element of overkill which commentators now detect.

Broadly this was to utilise netback deals to recapture the downstream end of the European oil market; the area where they had lost most market share. In doing so they have now directed 1.7m barrels a day of crude direct to refiners, displacing North European spot priced crude. North Sea spot prices plummeted as a result.

The crucial fact about netback pricing is that it involves an agreement between a refiner and producer without the intervention of the spot market, except in so far as spot product prices regulate the agreement. Such deals cut out the middlemen. Consequently Saudi Arabia's new arrangements neatly tie in the end-user over the medium-term many of these netback deals are now being rolled-over.

Thus anybody selling crude spot now has to contend with the fact that there are rather fewer end-users coming on the market than there used to be. In an atmosphere of falling prices, the only people who are going to provide a barrier to "free fall" are the end users.

Apart from making countertrade in oil extremely risky for the purchaser because of pricing volatility, this also puts him firmly in the hands of his local refiner. Assuming that he has potential access to a netback deal, the refiner can be as extortionate as he pleases, leaving the crude purchaser to the tender mercies of the spot market.

While specialist barter oil brokers have developed to make the sale easier, purchasers increasingly need some prospect of sale, preferably a refiner with a specific need, before doing business. (A good example of this is the agreement between two Italian companies, Garoune, a refiner, and Danieli Engineering. They swapped 250,000 barrels of Algerian crude for a wire factory, late last year.

For the producers, the name of the game changed the moment Saudi Arabia ceased to *oblige* Opec by production cutting. The immediately endangered member was one of the leaders in the countertrade business, Iran. Faced by a sudden assault on its medium-term buyers, Iran had no choice but to start netback dealing in response and has now done so to the tune of 700,000 barrels a day.

Given that the Opec pricing and production rules had been abrogated, there was no longer the quota or price secrecy advantage to be attached to countertrade. The best way to protect market share against Saudi pressure was to join the new marketing mechanism. Besides, the netback business has its advantages as a way to sell oil; the buyer pays cash. Even if the cash is less than the old official contract price, defined by Opec, the value of countertraded oil did not reach it either.

This is not to say that Iran is not still in the countertrade business, although it increasingly attracts the anger of the national oil company (NIOC). The trading arm of Volvo, the Scandinavian Trading Company have a year-long contract for 25,000-30,000 b/d, and another Swedish consortium Sukab, reportedly have a 150,000 b/d contract with NIOC until August this year.

Voest-Alpine Intertrading still has a deal worth apparently $2bn in food/oil and charges the food suppliers 10 per cent for the privilege of supply, although it is noticeable that the Austrian company did not make a profit last year.

Nigeria reacted slightly differently to Saudi action than Iran. Netback deals are only now being negotiated. Instead companies with access to equity crude in the country were given incentive deals which guaranteed them a rough $2 a barrel margin. This maximised the activity of the oil majors in the country by a kind of universal netback arrangement which allowed the companies to agree to lift 100 per cent of their own crude.

The country in any case had become suspicious of countertrade arrangements. The new government of General Babangida attacked the idea immediately it arrived in power.

A committee was set up to renegotiate existing contracts, determine the type of product to be granted import licences, and determine normal market prices for the imported goods.

The committee met for the *first time on January 27 and* wants a pre-shipment quality inspection for all countertraded goods, plus an arrangement for managing all "escrow" accounts. Currently the countertrade system smacks of corruption in Nigerian eyes. The exchange of oil for consumer goods has been banned.

Nigeria perhaps represents a problem that has always faced those trying to calculate the oil barter trade, namely that deals under negotiation are frequently reported, deals signed are more rarely reported and deals terminated are never reported.

Cheap oil

Elsewhere, Iraq still remains a formidable countertrader paying its Italian debt obligations of $300m for 1985 in oil. It has also reportedly reached agreement with the Canadians on a 50,000 b/d deal, starting in January 1986 and scheduled to last three years. If this is correct and the value placed upon it of $900m, then the Iraqis might have been better off through netback arrangements. The price works out at $16.40 a barrel.

Iran still give Syria remarkably cheap oil for political services in keeing one of Iraq's major export lines shut. Mexico and Venezuela still supply the Caribbean and central America under the debt-related San Jose Accord. The Soviet Union still builds its gas pipelines using Czech labour in return for gas. None the less the oil barter business has undergone a sea change. If Opec regains its discipline, it may come back. But not for some time to come.

Chris Cragg is editor of FT Energy Economist

A mixed bag of exchanges

The Caribbean

CANUTE JAMES

SPURRED BY an economically painful fall in demand and lower prices for key export commodities, several Caribbean countries have turned to various forms of countertrading and bartering to ensure a steady flow of imported manufactured and consumer goods.

The region's finance ministers have also argued that countertrading reduces demand on limited hard currency, and puts a brake on indebtedness, an ever present concern in countries such as Guyana and Jamaica, which have debt service ratios of 42 per cent and 32 per cent, respectively.

The countertrade agreements have not, all been government to government. Some have involved large private firms. They have been a mixed bag of exchanges of goods for goods and money.

The key to Jamaica's efforts to develop countertrade, like those of Guyana and Surinam, has been the bauxite industry, the touchstone of the island's fragile economy. Both the US and the Soviet Union have been party to countertrade agreements involving Jamaican bauxite.

The island has just completed shipments of 3.6m tonnes of ore under a contract with the general services administration. The bauxite is for the US Government's strategic mineral stockpile. For this, Jamaica received varying quantities of US dairy products, grains and cereals, lumber and tobacco.

The shipments for the stockpile helped the bauxite industry to maintain production levels in the face of falling demand on traditional markets.

The agreement with the Soviet Union also helped to stabilise the industry. Under a pact signed in 1982, Jamaica is supplying the Soviet Union with 1m tonnes of ore over seven years. Moscow is paying hard cash for the ore, but Jamaica is committed to spending 20 per cent of this in buying Soviet goods. Motor vehicles have been the favoured imports from the Soviet Union.

Guyana's efforts at countertrading its bauxite have resulted in agreements with several East European countries. The latest agreement concluded last month, is with the Soviet Union. There was no indication of the amounts of bauxite which Guyana would ship to the Soviet Union under the agreement, which will be for seven years.

Guyana is to be paid for the ore with a range of Soviet goods, including agricultural machinery, pharmaceuticals and electronic equipment, light planes and helicopters. Guyana and Trinidad have found barter arrangements useful in resolving trade problems between the two countries, mainly an oil credit facility extended by Trinidad, under which Guyana had accumulated debts of $217m.

The oil credit facility has been replaced by an "experimental" barter system in which oil is being exchanged for Guyanese rice. Guyana is giving Trinidad and Tobago 3,000 tonnes of rice per month to help pay for oil imports.

Neighbouring Surinam is hoping to increase bauxite sales through a countertrade pact signed last month with Czechoslovakia, involving the supply of unspecified quantities of raw and refined bauxite and aluminium to the East European country. The agreement said the products would be supplied at prevailing world market prices.

Sugar for oil

The Czechoslovakian Government has agreed to pay for 30 per cent of the Surinamese products with goods normally imported from other countries by Surinam. The recent efforts at countertrading by Caribbean countries followed an older arrangement by one country in the region.

For different reasons, Cuba has been involved in a virtual exchange of sugar for oil with the Soviet Union. The island ships sugar to the Soviet Union at prices which are about seven times those which prevail on the world market.

It then buys Soviet oil, to meet 96 per cent of its domestic needs, at prices lower than those asked by the world's oil producers.

The island has been manipulating the arrangement to increase its foreign earnings. It buys sugar on the world market and ships it to the Soviet Union at the nominally higher price. It takes more low-priced Soviet *oil than it needs and sells this* to third parties at higher prices.

The longstanding countertrade pact has not relieved the Cuban economy of a trade deficit with its East European partners.

The Cuban central bank reported that the trade deficit with Comecon countries in 1984 was the equivalent of $5.1bn on a trade volume of $18.5bn.

Expertise in short supply

China

DAVID DODWELL

McDONNELL DOUGLAS, the US aircraft manufacturer, in April last year heralded a deal that had been six years in the making—the sale to Shanghai Aviation Industrial Corporation (SAIC) of 25 of its MD-82 twin-jets in kit form in a rare cash transaction worth an estimated $600m.

The co-production deal was rare because it was not a joint venture—a common means used by Chinese companies to reduce the foreign exchange cost of establishing a venture—and because the Chinese Government was apparently willing to pay cash despite its acute shortage of foreign exchange.

Those puzzled by the terms of the deal probably had some questions answered last month when a team of McDonnell Douglas executives arrived in Shanghai to design a countertrade programme as a "complement" to the MD-contract that will help China to recoup some of the foreign exchange costs involved.

A Hong Kong-based expert in countertrade, musing on how successful the comparatively inexperienced McDonnell Douglas team will be in generating exports for China on such a large scale, commented: "This is just one more aspect of the fierce competition over exports to China. Once upon a time, they would compete on price and product specification. Countertrade proposals are just one more field of competition, and without them chances of winning a contract are that much less."

Much attention has been given recently to the emerging importance of countertrade in China. In Shanghai alone, joint ventures agreed with Foxboro, the US control systems manufacturer, Volkswagen, the German car manufacturer, 3M of the US, making industrial tape and other products, Schindler of Switzerland making lifts, and Peninsula Wooltex, the Hong Kong knitwear group controlled by C. H. Tung, are among ventures that embody complex countertrade arrangements upon which success or failure is likely to depend.

While private sector deals such as these are comparatively new, countertrade in its broadest sense is widespread.

Countertrade is substantial on a government - to - government basis, not just with the Soviet bloc but with Brazil and a growing number of cash-strapped developing countries.

Trade with the Soviet Union was agreed at $2.1bn in 1985, compared with $1.2bn in 1984. Countertrade with other East European countries has grown similarly fast.

Countertrade arrangements are commonly used for commodity trade, arms sales, and as part of offset, buy-back and compensation agreements linked with investments or joint ventures in China.

If one includes all of these as countertrade, then Chinese suggestions that it accounts for about one third of total trade may be plausible. According to Chinese customs statistics, China's total trade in 1985 amounted to US$20.1bn, suggesting countertrade amounting to over US$6bn.

This has focused attention on Hong Kong as a base for countertrading operations. Most recently the creation of a countertrade unit in Peking's Ministry of Foreign Economic Relations and Trade (Mofert) headed by Mrs Ye Linyun has made it clear that the Chinese Government is keen to explore countertrade potential.

There are a number of reasons why this has occurred. Most important, perhaps, is China's acute shortage of foreign exchange. According to Customs figures, the trade deficit in 1985 soared to $13.7bn from $1.4bn in 1984, suggesting that reserves amounting to about $16bn at the end of 1984 have been seriously eroded.

Equally significant is Peking's hope that countertrade arrangements can help China to break into protected markets, and help it to win a better share of international trade restricted by quota and other protectionist devices.

A conspicuous target here is Japan, which in 1985 had a trade surplus of more than $6bn with China. Chinese officials see Japan's "sogo shosha"—the vertically integrated trading houses like C. Itoh, Mitsui and Mitsubishi—as tailor-made for facilitating countertrade.

China has been under pressure from Third World trading partners both to boost bilateral trade, and to accept countertrade terms. This has given Peking headaches, since it has little need of the raw materials and unsophisticated manufactures from these countries.

These in fact are often in direct competition with China's own exports.

One response has been to introduce "tolling" arrangements where, for example, Chinese exports can be matched against raw sugar, which is refined in China and then re-exported as refined sugar to Western markets.

Since many Chinese exporters have only recently opened their doors on the international market, they often lack international marketing and distribution knowledge and networks. Countertrade deals arranged through middlemen like Merban Pacific, a subsidiary of Continental Grain of the US, or MG Services, a partnership between Metallgesellschaft of West Germany and Louis Dreyfus of France, can provide such expertise.

Chinese officials have also come to realise that they have a unique opportunity to win the co-operation of a foreign corporation in boosting their export efforts when they are negotiating a prospective foreign purchase. The McDonnel Douglas deal offers a vivid example of this.

Pragmatic

Unlike official attitudes in the Soviet bloc, the Chinese view of countertrade is thus highly pragmatic. Anything that can be sold for cash will be sold for cash. Traders say Chinese Government officials have a keen awareness of the value of a product and will only accept the added cost involved in a countertrade deal when simpler options are closed to them.

Countertrade is thus seen as a supplement to existing trade channels, intended to improve export performance at the margin, rather than provide any guiding principles for the conduct of foreign trade. The underlying motive is not to boost exports as such, but to finance necessary imports. As a result, there are no signs of any institutional framework being provided that will make countertrade easier to conduct.

In fact, the entrenched vertical integration of China's import-export corporation has until now so hindered the subtle transactions involved in countertrading that major traders like Jardine Matheson have countertrade on their "too difficult" list.

The devolution of decision-making power over foreign trade from Peking to a plethora of municipalities and even individual factories has also added complexity. As a result, important trade financiers like the Hongkong and Shanghai Bank, and bodies like Hong Kong's Trade Development Council, have next to no expertise on the subject, and no first-hand knowledge of how such deals are done.

This might be of little consequence if the Chinese themselves had expertise of their own — but they do not. Major trading entities like the Bank of China, China Resources and China Steamship Navigation, for example, have no staff able to transact countertrade deals. Only a month ago, the Hong Kong-based Tian An Development—a new joint venture between the Bank of China, China Resources and Sun Hung Kai—set up a company jointly with Sukab of Sweden to boost countertrade between China and Sweden. Local experts claimed this was the first company with mainland links to offer any countertrade experience.

Because of this inexperience, barely any countertrade initiatives have yet come from a Chinese corporation. Instead, proposals have come from prospective exporters to China as part of a "buyer strategy" intended to help them gain an edge over competitors for the same contract.

The overall conclusion of those involved in countertrade in Hong Kong is therefore that anyone looking for major institutional changes that might ease countertrade is probably in for a long wait.

Malaysia, which has been an important countertrader, is a case in point, and perhaps a victim of its own success in this regard. It has made great strides in diversifying its commodity output over the years in order to guard against being hit by a sudden drop in one commodity price.

Last year, for the first time in years, it saw the price of all its key commodities—palm oil, rubber, oil, tin—tumbling at the same time.

Furthermore, developing countries can no longer look, as they have tended to in the past, to international agreements between producing and consuming countries to boost or maintain prices. Nearly every international commodity pact that has functioned at one time or another in the last 20 years is now either defunct or in deep trouble.

Low prices intensify competition

Commodities

ANDREW GOWERS

THE ILLS of the world's commodity markets show no sign of being cured, and in many cases are getting decidedly worse.

Virtually every important soft commodity or base metal market on which the developing countries depend is suffering from a mixture of low prices, stagnant markets and increasingly cut-throat competition.

This gloomy outlook has provided a fertile breeding ground for all manner of deviations from the multilateral trading system, including countertrade, over the past few years.

As far as the soft commodities—which are probably used to a greater extent in countertrade than the metals—are concerned, the picture is in many cases even more depressing.

To take a few examples:

- World free-market sugar prices fell to an all-time low in real terms last June, depressed by "dumping" by big exporters like the EEC, increasing protectionism in the US, and the maintenance by subsidy of excessive levels of production all over the world.

Although consumption is expected to outstrip production for the first time in years this season, the market continues to be overloaded by a huge burden of stocks. Prices have been climbing steadily off the floor since last summer but they still remain well below the costs of production.

- Rubber prices have been on a steady slide, falling to their lowest level in three years in 1985 against a background of surplus production and sluggish consumption. That is bad news for the big producers in South-East Asia in particular.
- Cocoa prices—especially important for the economic health of West African countries like the Ivory Coast and Ghana—have been weakened by a production surplus last season.
- Tea prices—vital to India, Sri Lanka, Bangladesh and Kenya among others—have plunged precipitously from their peaks of 1984.
- Prices of the staple food crops, such as cereals, are also under heavy pressure because of a worsening trade war between big exporters like the EEC and the US. That might be good news for importers in Africa, for example, if only they could afford even the reduced prices.

The list seems endless. Only coffee, in which prices have risen sharply in the last few months as a result of drought damage to the all-important Brazilian crop this year, provides a ray of hope for producers in Africa, Indonesia and Central America.

Even in that case, the producers' fears for the long term are that higher prices will stimulate a race to boost output — resulting eventually in another damaging price crash as happened in the late 1970s.

This goes to the heart of the problem in a way. Most of the soft commodities can now be produced in a wider range of countries than before, and advances in agricultural technology have boosted yields. So prices are in general less vulnerable to climatically—or politically—induced shortfalls in one producing country—and even where they are, others will want to move in swiftly to fill the gap.

PROFILE: RINDALBOURNE

Strong links with Romania

BY ALAN SPENCE

RINDALBOURNE is a London-based business of East-West traders whose financial services division specialises in constructing countertrade deals with the centrally-planned economies of eastern Europe, the Soviet Union and China.

However, the company has developed its closest Comecon trading ties with Romania. Desperately seeking to conserve foreign exchange to pay-off burdensome debts and yet needing to import a range of vital commodities from coal to pesticides, the Government of President Nicolae Ceausescu has responded enthusiastically to Rindalbourne's patient persistence—particularly that of Mr Nigel Guinle, the company's chairman and managing director.

The company's style is distinctive. Last year Lord Wilson, the former UK Prime Minister and now a Rindalbourne director, led two delegations of company officials and British parliamentarians to Bucharest. The visits, which included audiences with President Ceausescu and a number of his key ministers, including, pivotally, Mr Vasile Pungan, the foreign trade minister, cemented much spade-work.

Lord Wilson, director, and Mr Nigel Guinle, chairman and managing director of Rindalbourne: showing patient persistence

During the visit of Lord Wilson's delegation last March Rindalbourne consolidated its trading activities with Romania in the form of a £100m protocol involving an agreement to transact business globally valued at £12m in 1985, £18m in 1986, £30m in 1987 and £40m in 1988.

Of this overall sum, it was agreed that one-third would comprise the value of goods moved via Rindalbourne into Romania, while the remaining two-thirds would represent the value of goods exported from Romania via the firm.

The protocol, a 200 per cent countertrade arrangement (not unusual with present day Romania) covers a wide range of products, including exports to Romania of wool dyes, agrichemicals, cotton and pharmaceuticals and exports from the country of textiles and light industrial goods.

Perhaps more significantly in terms of long-term value, that same delegation's visit yielded a major coking coal protocal. This, which owed something to a private meeting between President Ceausescu and Lord Wilson, envisages Rindalbourne eventually channelling up to 180,00 tonnes per month of good quality coking coal into Romania, which is expanding its coke producing capacity, but encountering structural difficulties in boosting domestic coal output.

The visit of Lord Wilson's second delegation in October was closely followed by an agreement to begin shipments of up to 450,000 metric tonnes of coking coal (valued at $25m-$30m), against, once again, purchases by Rindalbourne of textiles and light industrial goods. The arrival of the first cargo of coal, comprising around 50,000 tonnes, is expected shortly — with other envisaged at monthly intervals thereafter.

Although it was hoped that Rindalbourne would be shipping sizeable amounts of UK coking coal under the terms of this agreement, the National Coal Board has since made it clear that it does not expect to have significant quantities of the required quality, Rank 301, available in the foreseeable future. Rindalbourne is, therefore, initially shipping US coal into Romania.

In constructing its general countertrade protocol with Bucharest — which the com pany is supporting with a recently negotiated $100m credit — Rindalbourne has achieved the notable success of dealing across foreign trade organisations (FTOs). Countertrade arrangements with Romania have traditionally involved imports and exports being offset under the auspices of the same FTO. However, under the Rindalbourne Protocol, which involves several FTOs covering, for instance, chemicals, minerals and textiles, the trade flows must only balance globally, not sectorally, on a one-third-two-thirds basis.

In recent months, Rindalbourne has looked at a number of ideas within the context of its trading links with Romania. One, for instance, envisaged Rindalbourne possibly assisting Romania with the purchase of a South Wales coking coal pit with payment to the National Coal Board perhaps involving coal mined from the pit itself. However, the cost of re-opening of the mine proved prohibitive.

Another scheme, which may stand a better chance of success, however, involves the possibility of Rindalbourne developing, as a joint venture with Salomon Bros of the US an aluminimum sheet production facility designed to generate additional product, which Rindalbourne could lift against deliveries of coal and other commodities. The choice of aluminium sheet is deliberate—unlike, say, steel it is not subject to US import quotas.

Meanwhile, with the company's Romanian business now firmly underpinned, Rindalbourne is increasingly looking to the Soviet Union to construct countertrade accords. Simultaneously it is maintaining a close watch on the Chinese market, into which, for example, it may eventually export steel billets—as part of its countertrade business with Romania.

Alan Spence is Editor of International Trade Finance, a bi-monthly report produced by the Financial Times.

PROFILE: The Mediators

From hustling to bartering


Richard Manney: a $450m a year countertrading company

IT ALL started for Richard Manney in 1966 with $60, a public phone booth and lots of time—television time.

He was a young hustler, brash but low key, who had started his own business in 1956 at the age of 20, trading prizes to TV game shows in return for promotion credit and getting paid himself with extra merchandise. That had all come crashing down with the quiz show scandals of the late 1950s, but Mr Manney resurfaced again, and in 1966 he founded the Mediators, a media buying service which took payment in the form of merchandise which was ingeniously turned to cash.

Mr Manney and a close associate, Mr Tom Settineri, adopted the concept of "cross pollenisation" in marketing. Paid in excess merchandise which they undertook to sell outside of its regular distribution channels, they convinced pharmacies to carry food products and put appliances in supermarkets.

They built new distribution networks and entered the premiums and incentives business. By 1970, Mr Manney had earned his first million dollars.

Business really took off in the recession of the early 1970s when US companies had surplus inventories and little hard cash. The Mediators sold them advertising time and took payment in the form of goods and services.

Eventually, the traders began to look to the international marketplace. In their first international venture, in the mid-1970s, they swapped hand-held calculator quiz games, which National Semiconductor Corporation had in excess and could not dispose of domestically. The Mediators took the games to Latin America and got bananas, cotton and cash in return.

These days a simple barter deal is rare, he says. Countertraders often link four or five transactions before everyone is satisfied.

The Mediators, now a $450m a year privately-held company, has become one of the leading American countertraders.

Nancy Dunne

More companies turn to barter deals

The US

NANCY DUNNE

OFFICIALS OF Universal Satellite Corporation were ecstatic last year when they won exclusive rights to distribute their video projection devices to theatres in remote rural communes in China. The deal they figured to be worth $5m to $10m a year was almost lost when last April the Chinese Government, short of hard currency, imposed exchange restrictions on all but the most vital imports.

American traders are learning that there is only one way to do business in China these days and that is through countertrade. The Mediators, a leading American countertrade business, is even now in the process of swapping 30,000 Apple personal computers to the Chinese Government. In return they will probably get silks, coal or oil.

Universal Satellite, too, has now turned to countertrade for the first time in its history. Working through International Capital & Technology of New York and Hong Kong, an old hand at arranging swaps with the Chinese, a straight barter deal was arranged which would allow Peking to pay for the projectors with rice, cotton-seed oil and other commodities, which ICTC will sell in the world market.

Mr Henry Schwartz, president of Usatco, is so pleased that he is talking of arranging barter deals in South America, an area his company has been unable to penetrate in the past.

More and more US companies, unable to compete without it, are including countertrade in their deal making. According to Mr Richard Manney, president of the Mediators, countertrade now accounts for about 10 per cent of all American manufacturers' revenues. Within the next 10 years, it will become the force providing a third of all US manufacturers revenues, he says.

Overseas markets

"The US is no longer the golden marketplace it once was," says Mr Manney. "You can't count on US consumers to buy up everything you produce. Foreign countries have . . . broken down our doors with better quality, more advanced goods at cheaper prices . . . it's increasingly vital that American companies do the same."

They must break into overseas markets any way they can, says Mr Manney, and countertrade is one of the ways to do it.

Non-military and military-related offsets

	1980	1982	1984
Sales agreements involving countertrade		$m	
Military-related (offsets)	6,568	732	5,890
Non-military	1,846	983	1,249
Total	8,414	1,715	7,139
Countertrade obligations:			
Military-related (offsets)	414	439	2,182
Non-military	467	479	580
Total	881	918	2,762

Source: International Trade Commission

Estimates of worldwide countertrade vary widely, because few governments collect or publish data specifically to identify such transactions. The most comprehensive recent study in the US on countertrade was drawn from an International Trade Commission survey of over 500 corporations representing over $120bn in export sales in 1984.

The study estimated that almost $5.5bn in total US exports resulted from countertrade (excluding offsets) arrangements during 1980-84. About $4.6bn worth of goods and services were expected to be included in countertrade deals last year.

The value of US companies' countertrade (including offsets) obligations with Europe grew more than fourfold during 1980-84, said the ITC, while such obligations with Asia more than tripled. Latin American countries, which were among the most active in attempting to expand their countertrade were a minor element in the expansion of US countertrade.

The single most important product associated with export sales contracts involving countertrade during the four years of the ITC study was aerospace products. Other sectors with large involvement are communications, electronics and defence products.

Barely tolerated

While the US Commerce Department spends millions each year to promote trade, it barely tolerates countertrade. Yet according to the ITC the US has a favourable trade balance when countertrade is involved. While $5.5bn resulted from countertrade deals between 1980-84, imports resulting from *non-offset countertrade totalled* only $1.8bn during the same period. Additional goods and services were either sold abroad, absorbed by foreign American affiliates or sold to a trading company.

The majority of American businesses engaging in countertrade reported *favourably to the* ITC about their experiences. They said that the deals had resulted in increased employment, sales and production efficiencies.

While many US companies are reporting a growing acceptance of countertrade, Administration officials have shied away from government-sponsored deals—with the exception of three barters concluded with Jamaica when the US got bauxite *for its strategic stock*pile in exchange for surplus government-owned farm goods.

Mostly, the Administration's free traders complain, the barter proposals received in recent years founder because one party wishes to trade a commodity the other does not need. Mexico and the Dominican Republic both offered to swap fluorspar, a commodity the Administration has decided is no longer needed for the stockpile.

In a recent report to Congress, an Administration task force said problems have arisen in determining the relative value of commodities to be exchanged. "One party is often attempting to obtain higher value for its commodity than prevailing cash prices," the task force said.

Indonesia and Nigeria offered the US petroleum barters but both wanted higher than the Opec prices, the task force said. *Critics believe officials do not* try very hard to conclude any deals they philosophically oppose.

Here to stay

Individual government officials and American businessmen, however, insist that international barter is here to stay.

Mr Robert Copaken, an energy trade policy specialist in the energy department, urged petroleum deals, noting that Nigeria had renewed its commitment to countertrade, even though countertrade — related corruption was an issue in the military coup last August.

An oil trader with Rudolf Wolff commodity brokers believes that countertrade in oil *will be used too in technology* transfers with China and the USSR. If Americans do not recognise the inevitability of countertrade, says another analyst, then they will miss the boat on many a deal which could benefit the massive US trade deficit.

Brazil leads the way in the region

Latin America

ROBERT GRAHAM

Latin America Editor

BRAZIL REMAINS the most active proponent and exponent of countertrade in Latin America. With annual exports of nearly $30bn, Brazil also happens to be the most successful exporting nation in the region with by far the largest range of products.

This position does not simply reflect the sheer size of Brazil and its economy serving a population of 130m. It also underlines a much greater dynamism and willingness to explore all avenues, even non-traditional ones, to promote exports.

Brazilian officials have never felt constrained by the "ideological" objections of the General Agreement on Tariffs and Trade (Gatt) to countertrade. Indeed countertrade is regarded as a useful means of circumventing protectionism, international systems of commodity quotas and credit difficulties.

Nevertheless, 1985 saw a lessening of the tempo of countertrade deals by Brazil, and the trend seems to have been reflected more generally throughout Latin America, according to officials dealing with trade in the region. The same officials are cautious about being dogmatic since there are no reliable statistics on countertrade and they freely admit to being often unaware of private sector deals, especially small-*scale operations.*

Austerity plans

Three main reasons are given for the lesser prominence in 1985 of countertrade. Firstly, the vast majority of Latin American governments have continued to operate or introduce tough austerity plans which have squeezed domestic consumption, cut back public sector spending and penalised *imports.* Thus trade policies which have stimulated consumer imports, even if balanced by an equivalent export sale, have tended to be discouraged at the expense *of hard currency* earnings.

Secondly, the expansion of the US economy in 1984 absorbed considerable excess domestic capacity in Latin America and accounted for the principal increase in trade.

Thirdly, the sheer complexity of putting together countertrade packages, with attendant problems of bureaucratic delay and corruption, have continued to act as a disincentive, especially as most governments in the region have insisted that countertrade can only take place with non-traditional products.

For instance, Colombia's policy *of refusing* to allow countertrade deals with traditional products has been thoroughly vindicated by the sudden rise in the price of coffee in early January, 1986. Colombia also incidentally held out for a mainly cash transaction with Israel over exports *of* coal last year, even though the Israelis pushed hard for an exchange of goods.

The extent to which bureaucratic difficulties and the possibilities of corruption weigh against countertrade could well be determined by the fate of important deals between Brazil and Nigeria. Largely through countertrade, Brazil has become, within the last two years, one of the top five suppliers of the Nigerian market.

The big deals between the two countries began in 1984 based on the purchase of oil from the Nigerian national oil concern, Nigerian National Petroleum Corporation by Petrobras, its Brazilian opposite number. The deal was arranged through Brazil's leading trading company, Cotia Comercio Exportacao e Importacao.

In return for supplies of Nigerian crude worth some $500m over a 12-month period, Cotia agreed to supply a wide range of goods that included knocked down vehicle assembly units from Volkswagen Brazil, salt, steel, sugar and synthetic fibres to refractory bricks and iron ore.

With the change of government in Nigeria in January, 1986, Lagos announced it was reviewing countertrade deals and *would limit all such future* operations in view of the opportunities for corruption. As for Petrobras, the chief driving force behind countertrade, it still believes this is a very effective means of ensuring supply without damaging the nation's balance of payments.

Energy deals

However, economists both inside and outside the government *of President Sarney are* now reassessing the strong emphasis on countertrade in Brazil's energy imports given the weak state of world oil prices and Brazil's own prospects of moving towards energy self-sufficiency in the next decade.

Until now the bulk of Brazil's imported energy needs have been secured through countertrade deals — with Algeria, Angola, Iraq, Iran and the Soviet Union. In some instances, Cotia has been a catalyst in putting together the package. In others it has been a contracting company (Norberto Odebrecht in the case of Angola) or a civil engineering company (Nobarara selling oil platforms for Soviet crude).

The precise nature of goods exchanged is not always easy to know because military equipment, especially to Iran and Iraq, is included. In the same way, Israel which has substantial sales of small arms and sophisticated military equipment to the region is understood to accept countertrade arrangements. Arguably military goods exported from or imported to Latin America, and energy imported into the region account for the largest amount of countertrade.

Significantly, Argentina and Mexico, the region's other big traders, have eschewed countertrade. In the case of Mexico this is because the main export market is the US. In Argentina, the authorities and the business community alike remain deeply influenced by their historic experience with easy cash exports like grain and meat.

Peru, in a more desperate economic situation, has been willing to contemplate countertrade, particularly with the Soviet Union. But here again hard currency earning exports like minerals or even fish are excluded.

It is also noteworthy that countertrade occurs less between regional partners and much more outside Latin America. This is not just because exports often tend to be complementary. Rather there is much greater mistrust within the region of relying upon an exchange of goods, and, in the case of countries with common borders, contraband is preferred. This said, countertrade has established itself as an attractive alternative means of trading and Latin America has about the Gatt norm of 8 per cent of trade being conducted in this form.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Venture capital

Catalyst for a quantum leap

Will Dawkins on the creation of Isotron

ISOTRON provides clear evidence of how an opportunistic mind can put two companies together and make a whole much greater than the sum of the parts.

The company offers Britain's only independent gamma radiation processing service, by which it sterilises medical, pharmaceutical and animal food products. The catalyst for its creation was Thompson Clive & Partners, the London venture capital group. Just over two years ago it put together a pair of independent companies, since when Isotron has received a warm welcome on the full stock market and is now valued at £27m—more than seven times its worth at the time of the merger.

Its growth since the merger also provides an example of a small company that has learned to control expansion by making its management more structured and specialised.

With turnover running at £2.7m in the year to last June and around 60 staff on three sites, Isotron does not look on the face of it to be an excessively unwieldy business. Yet it has unusual features, like for instance the need to spend at least £400,000 annually on making up for the decay of its main raw material, the radio-isotope cobalt 60.

Profit margins are huge. Last year's £1.1m pre-tax surplus represents a 42 per cent return on turnover, but Isotron is in such a capital intensive business (it would cost £4m to replace the cobalt now sitting in its plants) that return on capital employed at replacement cost is a humdrum 10 per cent.

Gamma radiation has been used in Britain since the 1960s to sterilise medical devices and more recently to kill bugs in animal foods and cosmetics and to change the properties of plastics. The Government is expected shortly to release a report on the possibilities of irradiating food for human consumption.

One half of the two constituents of Isotron was formed by John Grant and Frank Ley, now the company's managing and technical directors respectively. They met in the 1960s as senior members of the UK Atomic Energy Authority team assigned to look for commercial uses for radioisotopes. The project gave the men, now in their late 50s, an ideal chance to turn their research ideas into a small business, but they were unable to attract venture capital.

Eventually, the then LRC International (now London International Group) set them up as Irradiated Products (IPL) in 1970. LRC was their prime customer, chiefly for the sterilising of surgical gloves, a position it retains in the enlarged Isotron, where it accounts for 16 per cent of turnover.

l to r: Frank Ley, John Grant and Terry Summers: creating greater efficiency

The other—smaller—part of the merger comes by courtesy of Terry Summers, 53, who in 1970 took charge of an independent plant, Gamma Radiation Services (GRS), after helping to develop one in-house for Gillette Surgical. After changing hands several times GRS ended up almost entirely owned by Thompson Clive.

Three years ago, GRS was beginning to see itself arriving at the limits of physical capacity at its Reading plant. New plants do not come cheap; Isotron is spending £2.4m over the next three years on a new factory in the Midlands. GRS, however, was too small to raise cash via a flotation and Thompson Clive felt that an injection of venture capital would only defer the problem of where to go next.

Summers mentioned the idea of a merger to Ley over a steak one lunchtime at a Berni Inn outside Swindon and found that his opposite number at IPL was just as keen. Recalls Grant: "We were looking to expand into new areas and LRC did not see us, as service business, fitting into their corporate plan."

The main sense behind the merger was that GRS and IPL ran technically complementary plants. Irradiation plants work simply by passing the product to be treated on a conveyor belt past a frame carrying tubes of cobalt 60, the whole thing being encased in six feet of concrete. GRS was equipped to make highly efficient use of cobalt 60 for a limited range of small products, while IPL could irradiate almost anything but less efficiently.

"By transferring products to the machines most efficient at processing them, we could do more work with less cobalt," explains Grant. With the cobalt at one plant alone decaying continuously at a rate that would cost £54 per hour to replace, efficient capacity utilisation is clearly important.

The logic impressed Thompson Clive so much that it stumped up £2.8m to buy IPL (an earnings multiple in the high teens) from LRC and merged the two small companies in December 1983. "They were the catalyst," says Grant. "I am quite sure that LRC would not have bought GRS and merged it with IPL. And we would have found it too time consuming to do a management buy-out and raise money for the purchase ourselves." The three executive directors put up about £10,000 each for just under 10 per cent of the equity between them.

Like many small fast growing companies, Isotron had to face the challenge of adjusting its management to cope with its new size. Directors who had until recently performed general tasks took on more specific jobs—changes which have taken place with apparently harmonious consent.

Summers, for instance, moved from his post as managing director of GRS to being sales and operations director of the new group. IPL had depended on LRC's custom so heavily that it was short of the selling skills which Summers had picked up running an independent business.

Summers admits: "It was very difficult to let go of the reins and operations director of the ning the company go to somebody else. I had done absolutely everything for GRS right from the start."

But in some ways, his job now is the most important. Isotron is peculiarly sensitive to fluctuations in sales volumes because almost all of its running costs are fixed—at £1.6m last year. That is why last year's £530,000 sales increase reaches the bottom line as a £427,000 rise in taxable profits. The converse of that is that if Summers allowed sales to fall below costs, losses would mount with equally dramatic speed, unless Isotron took drastic action to reduce its breakeven point.

Another key move was the promotion of David Fletcher, 46, from manager of IPL's plant in Bradford to become overall manager of all three sites. Grant explains: "We needed somebody midway between the shopfloor and the top to give us more time to navigate rather than just steering policy decisions."

With the new management structure and operating efficiencies in place, the merged companies saw the 12 to 20 per cent growth rates they had separately experienced in recent years climb to a 53 per cent advance in operating profits in 1984-85. Further good progress is expected when Isotron unveils its interim figures a fortnight tomorrow.

The biggest source of organic growth has been an increasing tendency by hospitals to use pre-sterilised disposable medical kits rather than repeatedly sterilising their own devices with heat—a less safe and more expensive process, says Summers.

The merger has created a small company with a dominant position in its industry. Isotron's only competition comes from the in-house plants run by large medical equipment suppliers like Gillette—or Sabre as Gillette Surgical has been renamed. Other sterilising methods—like ethylene oxide gas—overlap Isotron's market, but do not compete directly.

Fighting red tape

Anti-bureaucracy unit exerts force

Will Dawkins reports on the effectiveness of UK Government deregulation efforts

LORD YOUNG, Britain's Employment Secretary, set his Enterprise and Deregulation Unit some praiseworthy but ambitious tasks when he published his White Paper on cutting business red tape last summer.

It is only now becoming apparent how the unit is going about turning itself into what the White Paper calls a task force with "real teeth" so that it can gnaw away at some of the less necessary bits of official bureaucracy which the Government fears is hampering small business's ability to grow and create jobs.

The unit has come a long way from its establishment under the wing of the Cabinet Office nearly 18 months ago, when it was resented by several Whitehall departments as a roguish and irritating ginger group. Now, following its move with Lord Young to the Employment Department—where the unit remains as independent as ever, emphasise officials—this band of 13 anti-bureaucratic buccaneers has established itself as an effective force.

"We have already noticed that some departments have shifted their ideas before coming to us. Ministers are now realising that deregulation is an important plank of government policy," says Paul Twyman, the unit's 42-year-old director.

This can only be good news for small businessmen, even if evidence of the unit's crusading efforts is at best piecemeal and at worst invisible because it is hard to measure precisely how many unnecessary regulations it strangles before birth.

"There is no one thing that will change the environment for enterprise," says Twyman. "It's the continual dripping of water on a stone that wears out the small businessman." He says the unit has nipped around a dozen emergent regulations in the bud, but emphasises that the unit's real task is not to fight departments' policies wholesale but to ensure that they take effect with minimal extra cost to business.

The unit, for instance, claims part of the credit for diluting proposals by former Transport Minister Lynda Chalker that all garages should adhere to tougher vehicle testing requirements, thereby forcing the smaller operators to make expensive building alterations. Those rules now only apply to new garages.

The mechanism by which the unit carries out its job of scrutinising new and existing regulations is only now receiving its final touches. Kenneth Clarke, the Paymaster-General, who leads discussions on the unit with other ministers, has persuaded nearly all departments to establish their own one- or two-man deregulation units. These inform the central unit of any new regulations being devised by individual departments and act as general contact points. The exception is the Home Office—evidence that the unit has not yet won as much acceptance in Whitehall as it would like.

Twyman has been working since November on what he calls "a concordat" with departments, whereby the unit is automatically informed of all regulatory proposals in the pipelines for the coming six months, and handed drafts of all regulations in their formative stages.

As foreshadowed in last summer's White Paper, Lifting the Burden, the unit is to ask each department to submit a two-page assessment of the costs that each new regulation will impose on businesses.

This idea is inspired by the analyses of the cost of complying with individual regulations carried out by the US Office of Management and Budget. However Twyman is anxious to avoid getting as bureaucratic as some of his transatlantic counterparts. "In the US the compliance cost analysis of a single regulation can be two inches thick. We don't want that here," says Twyman, who is as concerned about cutting costs in the civil service as in private enterprise.

Accountants Coopers and Lybrand have been contracted to make dummy analyses of half a dozen existing regulations to act as guides to departments on how their own assessments should be carried out. The final weapon in the unit's armoury is to be a 10-strong independent advisory panel of private sector executives, consultants and accountants who will meet monthly to comment on specific proposals for new regulations and to discuss the unit's strategy. Invitations were sent out last month to possible panel members.

"We have tried to avoid the great and the good syndrome when choosing the panel. We wanted some real live businessmen who were suffering every day from regulations," says Twyman, who unusually for a civil servant, has experience of business life as a non-executive director of Anglia Building Society.

One of the unit's greatest challenges has been the diplomatic one of attempting to strike a balance between being uncompromising in its anti-red tape crusade and keeping the consent of the rest of the Civil Service. Twyman feels that his job would be easier in this respect if the principles for which the unit works got more support from the small business community.

"Business does find it difficult in getting its act together to give us its views," he observes—though Twyman adds hastily that this could well be that many businessmen find their hands too full coping with red tape to think about lobbying.

However, he points out: "You can't just leave it up to us. Businessmen have to get the message across that deregulation is important."

The first official assessment of the unit's progress will come in another White Paper on administrative burdens, due out in the spring. Twyman fears that it will come out uncomfortably close to the May 10 deadline by which computer users with personal data on file must apply for registration under the Data Protection Act; one business burden which was devised too early to feel the teeth of Lord Young's task force.

In brief . . .

Humorous explanation of how factoring can improve cash flow is available on video from International Factors of Brighton.

The film, entitled Deciding Factors, stars Miranda Richardson, Richard Griffiths and Richard Warwick. It shows how a small high technology business pulls itself back from the brink of financial disaster by raising finance on its uncollected invoices. It can be borrowed free from International Factors' marketing department, Sovereign House, Queens Road, Brighton BN1 3WZ.

BUSINESS in the Community (BIC) has published a manual for enterprise agency staff entitled Guidelines for Youth Enterprise.

Written by David Grayson, co-founder of the Newcastle-based enterprise agency, Project North East, it contains advice on counselling techniques such as how to bring budding businessmen's sometimes wildly ambitious ideas down to earth without alienating them. Details of sources of finance for young entrepreneurs, potential problems and useful names and addresses are also included.

The booklet costs £5.50 from BIC, 227A City Road, London EC1V 1LX.

ACCOUNTANTS Arthur Young and National Westminster Bank are offering a £2,500 prize to the young designer with the most promising business idea.

The winner will also qualify for free business advice from the two sponsors as well as from a City firm of solicitors. Application forms, which must be returned by April 1, are available from Lynne Daniel, Arthur Young, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH. Tel 01-831 7130.

LESS THAN a quarter of small businesses are capable of providing a high standard of living for their proprietors, according to Building a Successful Business, Midland Bank's latest guide.

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Businesses For Sale

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ENQUIRIES TO:

RORY O'FERRALL, ESQ., F.C.A., TOUCHE ROSS & CO., CHARTERED ACCOUNTANTS, ADELAIDE HOUSE, 19/20 ADELAIDE ROAD, DUBLIN 2.
TELEPHONE: (01) 784833
TELEX: 30232 TRCM EI
TELECOPIER: 784029

or

Aidan R. O'Connell, Esq., A.C.C.A., Drummin, Carbury, Co. Kildare.
Telephone: (0405) 53222
Telex: 46825 DRUMMIN EI

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Further details are available from Grahame Watts or Christopher Morris at the address below.

Touche Ross
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Box 500, Abbey House, 74 Mosley Street, Manchester M60 2AT.
Telephone: 061-228 3456. Telex: 666040 TRMANR G.

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For further information contact: N.G. Atkinson, Joint Receiver and Manager at the address below.

Touche Ross
33-34 Chancery Lane, London WC2A 1EW
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For further information please contact the Receivers:
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Telephone: (0782) 271666, Telex: 668265

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For further information please contact the joint receivers:

Barry G. Mitchell or Peter L. Davies
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The business and assets of Track Supplies & Services Limited (in receivership)

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Enquiries to:— J A G Alexander Esq
Joint Receiver and Manager

KMG Thomson McLintock
70 Finsbury Pavement London EC2A 1SX
Tel. No. 01-920 9111

Lawrence Preston (Electronics) Limited
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The business and assets of the above company are available for sale as a going concern. The company has been trading for six years as specialist PCB assembly subcontractors to the electronics industry and undertakes work with skilled staff for well known customers within that industry.
The company currently trades from leasehold premises in Crediton, Devon and Monmouth, Gwent and employs 80 persons. Turnover for the year to 30 June 1985 was £407,000 and approximately £261,000 for the six months ended 31 December 1985.

All enquiries should be addressed to:
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CORK GULLY
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For details please apply to the Joint Receiver and Manager
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Tel: 0703 331005
Telex: 477755

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Contributors can obtain more detailed information by writing to:
The Secretary, Scottish Tertiary Education Advisory Council
Room 3/112, New St Andrews Hse
Edinburgh EH1 3SY
or telephoning
031-556 8400, Extn 4883 or 5284
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STRUTT & PARKER of 13 Hill Street, Berkeley Square, London, W1, and Regional Offices, have pleasure in announcing that the following have accepted invitations to join the Partnership as from 1st May 1986: Nigel Aslin, FRICS — Business Parks Department; Giles C. Ballin, ARICS — Commercial Investment Department; Roger Dean, FSVA—Office Agency Department; Jeme A. N. Laing, FRICS—National Estate Agency Department; Jonathan O. Parker, ARICS—Commercial Investment Department; William W. Quarry, BSc(Est Man), FRICS—Retail Department.

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London Galleries/William Packer

Tradition's fabric woven anew

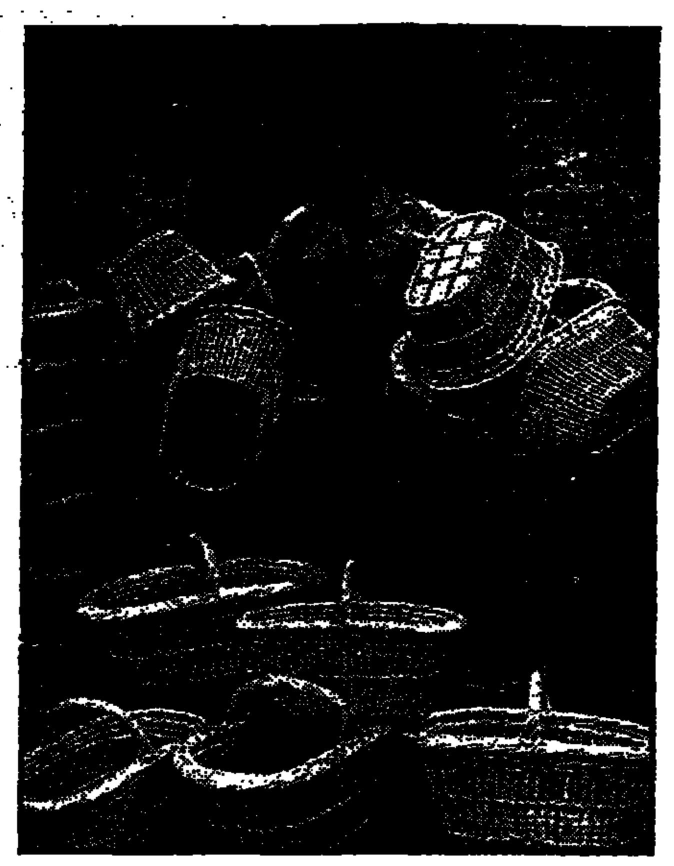
The crafts are as ambiguous in their definition and as controversial in the expectations they engender as ever. The Crafts Council, charged by Royal Charter with the duty of encouraging and sustaining British craftsmen and bringing the best and most characteristic of their work to the attention of the public, may be excused if it sometimes shares in that uncertainty. The balance between the needs and ambitions of the makers, the interests of patrons and consumers and the enlightenment of society would be hard enough to keep even in less straitened times. The wonder is that so much is done so well on such slender resources, and the two exhibitions which occupy the council's gallery in Lower Regent Street (until March 30) make all these points with a suitably wonderful panache.

To be in the presence of Vanessa Robertson's rugs and David Drew's baskets is to have any lurking thoughts of occupational therapy and the earnest folksiness of evening classes blown clean away.

In his foreword to the documentary booklet that goes with the Drew show (photographs by Chris Chapman; project sponsored by the Guild of St George) Ralph Turner, the council's director of exhibitions, is still perhaps a shade defensive in declaring: "Never before have we arranged a solo exhibition for so traditional a maker. It says much for the talents of David Drew that he has instilled in us so much confidence."

Quite so, but it is exactly at this point, where the unique object flirts upon the borders of common tradition, just as at the opposite extreme it might all but cross over into fine art, that the Crafts Council itself defines and justifies its scope.

The fact is that there was no doubt when David Drew applied to the bursary committee (of which I was a member) four years ago, that he was an entirely appropriate recipient of the council's largesse. He had leased a field near the farmhouse in Somerset to which he had moved, and was about to embark on a project of conservation and cultivation. His first object was to secure the basic material of his craft by growing it himself. But the natural osier is, in the quality and colour it affords, infinitely subtle in its varieties; and here was the chance for him to go much farther in his researches and experiments.



David Drew with his baskets

The results on show present a personal vindication, a celebration of the creative opportunities available to an artist even within the close discipline of traditional craft. Here are baskets of all kinds laid out in rows, stacked high in quasi-sculptural heaps and piles or hung single, special spies upon the wall: apple pickers, shoppers, gardeners, picnickers, workers, hampers. In the range of Drew's practice we see him moving quietly away from the older forms he has mastered towards ones more open and intuitively expressive. They are also remarkably cheap, or so they seem to me, though you will have to bear with him for his waiting list is very long.

The visual entertainment that Drew's show gives us should not be allowed to obscure the quieter but no less distinguished virtues of Vanessa Robertson's woven *ikat* rugs. Here are nominally utilitarian objects that one would rather celebrate as works of art. The *ikat* technique is derived from an Indonesian practice of tie-dyeing the yarn before weaving, but Miss Robertson has adapted it to her own purposes, working the dye on to the warp on the loom itself.

The subtle organic abstraction that emerges from the irregular repeat of the material that is the essential character of the process is as personal in its expression and as closely controlled as the work of any painter, and quite as beautiful in its imagery without in any sense denying the physical nature of the rug itself. It is a nice point of comparative status that what we might take to be quite an expensive rug would as paint on canvas, from an artist of her distinction, come very cheap.

Both exhibitions are to go on an extended British tour.

*

The Barbican continues to do what it can with its subsidiary exhibition spaces. The long curve of the Concourse Gallery is both the most substantial and the most awkward — if you are to have a gallery designed, make sure to whisper in the architect's ear that the walls should be straight. Experience has shown that three-dimensional work arranged more or less chronologically, or at least thematically, suits it best. *Image of Man*, sponsored by the Peter Stuyvesant Foundation (until March 9, then on tour), fits the bill very well.

It consists of some 60 sculptures, carved, modelled or otherwise assembled, of the human head, European for the most part and dating from the 1840s to the present day. It all seems a little dour, even unprepossessing to begin with but the sheer strength of the work soon draws us in and there are many lovely things to discover, from Daumier's extravagantly bewigged Louis XIV (1844) at the start to the exquisitely flattened and simplified early head of his mother by Giacometti (1927) towards the end.

The exhibition amounts to a brief run through that strain in the modern figurative tradition that since the time of Daumier has been principally sustained through direct modelling in clay from the figure, though some carvings are included and also an occasional diversion into the primitive, cubism and pure abstraction. It is a line that brings us down through Rodin, the dominating figure, and Renoir, by way of Picasso, Bourdelle, Rosso and Maillol, Gaudier, Brancusi and Gonzalez, to Manzu, Epstein and Marini.

The later work, since the 1950s, is less interesting—more elegantly mannered than beautiful and often more arbitrary than convincing in its formal shifts and distortions. The memorable pieces remain with the great names of the great period: with the tiny and exquisite sleeping child of Brancusi (1908), the oversize and sharply turning, somewhat art deco head of the Roumanian (1927) by Bourdelle, or the mother and father of Giacometti.

Save the Wells/Covent Garden

Clement Crisp

Sunday night's gala to support Sadler's Wells Theatre in its present crisis could not have been happier or more enjoyable. It was purposeful and, despite having been organised within a week, absolutely not impromptu, save in the relaxed way it was run and in the warmth of feeling generated between stage and audience.

To the organisers, Mark Freeman and David Drew of the Royal Ballet, with Leslie Edwards their advisor; to Keith Grey and Richard Gregson its producers; to everyone who helped make it possible, there must go every congratulation on an evening unique in the annals of the Wells, of the Royal Ballet, the National Theatre and the ENO, who all in some way owe their existence to Lilian Baylis and her Vic-Wells axis across London.

Of the emotions roused during the evening, determination was mixed with the affection and respect we all felt for the Wells. We began with Ian McKellen speaking the opening lines of *Twelfth Night*, which re-opened the Wells on Twelfth Night, 1931. We ended with Dame Peggy Ashcroft in her stunning impersonation of Miss Baylis, The Lady to the life with her opening "Now listen to me, you Bounders."

THE ARTS Council has come up with a plan which could keep Sadler's Wells open (writes Antony Thorncroft). On Friday it is to hold talks with three of its clients who are the main users of the theatre, Sadler's Wells Royal Ballet, London Contemporary Dance, and Ballet Rambert, at which the Arts Council will explore giving the companies additional revenue which they could then pass on to Sadler's Wells in the form of higher rental. In this way, the Arts Council will avoid taking on Sadler's Wells as a client, but indirectly go a long way towards meeting its £275,000 shortfall.

In between came items to remind us (an act, surely, of supererogation) of what the Wells has meant, means, and, if we have anything to do with it, is damn well going to go on meaning.

Mr McKellen was an ideal compère, sharing his duties at moments with Derek Jacobi, Alan Bates, Anthony Dowell and David Wall. The young chaps from the Royal Ballet Junior School horn-piped in alertest fashion as the Lilliput navy; Ballet Rambert swooped through Richard Alston's jolly *Java* to some of the soupiest tunes of the 1930s; an updated text to the "What's the use" quartet from Bernstein's *Candide* commented on the artistic politics of the Wells's crisis.

Dwight Powell of the National Youth Dance Theatre, at the age of 17, dominated the Opera House in his *Freedom* solo as if born to its stage; Jeanette Mulligan was all flowing emotion in the ever-sure arms of Alexander Sombart in Ben Stevenson's *Three Preludes*, Festival Ballet's contribution; Michael Clark and "company" (a neat term for a group which has made outrage its aim) kicked up the dust in usual fashion, while Northern Ballet's Sylvia Guillaumin and Michel Mesnier went serenely through the *Nutcracker pas de deux*, and Christopher Robson of the ENO gave a fine account of "How silently" from Handel's *Julius Caesar*.

The Royal Ballet ended this first part of the programme with Michael Corder's antic *Flora's Demise*, in which Lesley Collier, despite the attentions of good and bad fairies, somehow missed out on the attentions of Michael Coleman's heroic ninny. The piece is a manic romp, not least in its "spot the ballet" patchwork of *Great Moments in Dance*, but it is made greater than the sum of its parts by Mr Coleman's comic genius.

As the second part of the evening began Dame Ninette de Valois, joined by Dame Alicia Markova and Sir Frederick Ashton, came to remind us of what magnificent talents and efforts had made a national ballet possible at the Wells half a century ago. "Worried, excited, determined" about the present situation, she spoke of the need to protect theatres and told us it was time for the Wells to turn again, like Dick Whittington, and make its fortune.

There followed the Rose Adagio danced by Yoko Shimizu, lately of Northern Ballet, with four Royal Ballet cavaliers. London Contemporary Dance Theatre was superb in a fragment of Robert Cohan's *Forest*, and Fiona Chadwick grandly expressive in the two grief solos from MacMillan's *Isadora*. There came a community song from the Wells's current production, *Charlie and the Chocolate Factory*, and then Doreen Wells was sweetly returned as one of *The Two Pigeons*, Stephen Jefferies her errant beloved in the last *pas de deux*, followed by the New Sadler's Wells Opera in snatches from *The Mikado, The Merry Widow*, and *H.M.S. Pinafore* (with the ebullient Nickolas Grace).

Jeanie Deans/Gaiety Theatre, Ayr

Arthur Jacobs

If late-Victorian Britain could produce such good operettas as Arthur Sullivan wrote, are there no serious operas of the period worth reviving? Sullivan's own *Ivanhoe* has only a flickering vitality, but a stronger fire burns in Hamish MacCunn's *Jeanie Deans*, with a plot drawn from another novel of Sir Walter Scott's, *The Heart of Midlothian*. Winning success for its 28-year-old composer in 1894, it has never been quite forgotten. Its first performances since Festival of Britain year, 1951, were given in Ayr last week by Opera West formerly known as Ayr Intimate Opera.

Jeanie Deans is a poor farmer's daughter whose sister Effie faces execution on a false charge of murdering her illegitimate baby. She makes the perilous journey to London and obtains a royal pardon, returning as the hanging is about to take place. MacCunn propels the story in short, vigorous musical numbers with some surprising harmonies, strong orchestration, and a readiness to avoid the obvious—no "big tune," for instance, to recur as a sentimental finale chorus. Some Scottish folk music, real or pastiche, is cleverly integrated.

With good musical direction, and in spite of a production sadly stripped of scenic resources, it proved well worth hearing and seeing. The score itself has a dramatic lack of some solo (or perhaps a duet of confrontation with her narrowly puritanical father) to show how heroic Jeanie's enterprise really is. This lack was emphasised by the uneasy, submissive appearance of Paula Bott, though she sang Jeanie's final scenes expressively. The conductor and producer, Raymond Bramwell and Marilyn de Blieck, must have been tempted to exchange Miss Bott with Una Buchanan, much more positive and appealing in the role of Effie.

Philip Doghan puts his strong, well-characterised tenor and ardent bearing into the role of Effie's lover, Staunton, and Miss de Blieck herself gave a sharp portrait of Madge Wildfire, one of those pitiable, half-crazed figures who derives operatically from Verdi's Azucena. (Sullivan's *Ivanhoe* has another such). Linda Hibberd as Queen Anne and Michael Chad as a generous local laird strengthened the cast.

Apart from other private and public financial aid, the Scottish Arts Council gave £4,000 to enable the preparation of new orchestral material, the old having been lost. Through the Scottish Music Information Centre this becomes available to other companies: those south of the border should not ignore it.

Peter Donohoe/Elizabeth Hall

Dominic Gill

Peter Donohoe opened his piano recital on Sunday evening with Bach's fifth French Suite. There was no attempt to adopt an authentic manner: I'm not sure if it was the pedal, or the hall's acoustic, which enriched and slightly blurred the texture of the Courante—but the pedal would have been in character. The Gigue was magnificent, a towering glitter of piano colour. This was modern "romantic" Bach of unusual directness and eloquence—even if ideally one might have wished for counterpoints a little more sharply incised, and textures a shade less orchestral than the Bach-Busoni arrangement which followed.

But before the arrangement there was Busoni himself: his big, rambling *Toccata*, dating from 1920, persuasive and almost (but not quite) convincing in such a vividly committed performance; and his Elegy "All'Italia," a bravura Lisztian essay in the *grand-salon* tradition. Donohoe's performance of Busoni's arrangement of Bach's C major organ Toccata was very grand indeed, big with resounding octaves, powerfully evocative, and great fun—though there is, even Donohoe would admit, more to Bach than this.

After the interval Donohoe gave just one work, the Liszt sonata. How carefully he has thought about the music, and how scrupulously he has followed the composer's text, was clear from the opening pages: tiny dynamic durges and fades, still tinier accents and rests, all marked by Liszt and all purposefully intended, but in the welter of notes commonly disregarded, here perfectly graded and placed. Nothing was allowed to disturb the momentum of the first section—hardly a lingering even in the *dolce con grazia* held back the forward movement, which flew like an arrow to its mark on the section's final chord. The "Quasi adagio" is rarely played so slowly: but Donohoe persuaded us very easily that most pianists play it much too fast. The finale grew to its climax with *exhilarating* ease, very fast but never hectic. Commanding, *thoughtful* playing—and one of the most original and exciting Liszt sonatas I've heard in years.

The Guest Stars/100 Club

Kevin Henriques

The Guest Stars is a six-piece, all-women band which, in the past five years or so, has built a solid reputation, both in Britain and further afield, as one of the most compelling groups specialising in jazz, funk and Latin music. With just one front line instrumentalist, a saxophone player, along with piano, drums, assorted percussion, bass and guitar it is inevitably a heavily rhythmic unit, beating out plenty of cross-rhythms and with a heavy bass foundation.

Much of the repertoire originates from the band members, most of whom also contribute vocally. The compositions are fairly simple in structure, as befits the jazz/funk idiom, with little room for nuance or shade. The lyrics relate to, and are readily identifiable with, contemporary preoccupations.

It is really essential that lyrics are heard and understood by the audience. Sadly, the band's two sets at the 100 Club, Oxford Street on Friday were crudly hit by a poor amplification system (not the band's) which ruined much of the singing, rendering the words inaudible and reducing the band's overall sound to a ghastly, shapeless mess.

The Guest Stars is a hard-playing, hugely energetic band and, with a heavy concentration of forceful numbers, any shading was lost in the aural mêlée. Yet there were undoubted bright moments, mainly the solo contributions, most notably from Ruthie Smith on tenor, alto and soprano saxes, always hard playing and assertive, pianist Laka Daisical (no space to explain her name) who, on a Yamaha electric piano, extracted some soulful, churchy sounds, and Deirdre Cartwright, an electric guitarist of considerable agility and inventiveness.

Drummer Josefina Cupido propelled the band along with hard drive; *Linda da Mango*, on congas and sundry percussion, was relentlessly complementary to her while Alison Rayner's fretless electric bass added that heavy funk thud which on this particular evening became too heavy for the ears.

Fitzwilliam Quartet/Wigmore Hall

David Murray

César Franck's string quartet in D—his only one—was his last major work, premièred only six months before he died, and it is the kind of *summum* that every Romantic composer must have dreamed *of ending* with. All of it sounds like purest Franck; it carries his individual method, the "cyclical" symphonic style which set a long-term standard for French music, to new lengths of ingenuity and convincing naturalness; it reviews his past masterpieces sagely (the Symphony and the Violin Sonata are often evoked); but it is also a triumphant foray into a medium he hadn't tried. Truth to tell, it is more distinguished as a mini-symphony than as quartet-writing—there is little sense of a four-voice conversation, though the Scherzo is a brilliant construction for the four strings. Yet the medium isn't strained, and as a chamber symphony the Quartet is rather marvellous.

The Fitzwilliam team is among the few who play it. It is awkwardly long—about 50 minutes—for the standard quartet programme, and its scale demands acute long-range understanding. On Saturday the Fitzwilliam performance did it sonorous justice. Not only was the grand symphonic shape plain, but Franck's relentlessly chromatic writing (which curdles at a hint of dicey intonation) was kept translucent, and at the right moments even radiant. Not for the first time, we owed the Fitzwilliam gratitude *for a rare experience*: there are lots of easier rewards for an established quartet than tackling a sumptuous but exacting and unpopular piece like Franck's.

They fitted it into the evening cleverly, by filling a short first half with one of Beethoven's concise op. 18 quartets and the first London performance of Shostakovich's little Elegy and Polka, recently unearthed. The Elegy is impassioned but simple, without apparent irony: the Polka is the *familiar*, sardonic *Age of Gold* one adapted for quartet (with the flat G missing from its second tune, if one were to believe one's ears: that needs looking into), as bright a comic turn in this medium as in any *other*. The Fitzwilliam's op. 18 no. 6 was a little bland, despite an opening Allegro that took its *con brio* to extremes: Beethoven's *staccato* couldn't be articulated at that speed, and in the Adagio they almost ignored it, with a consequent loss of character. Perhaps the Fitzwilliam appetite is more sharply whetted by the unfamiliar—but I shouldn't count that a fault.

Alban Berg Quartet/Elizabeth Hall

Max Loppert

The Alban Berg Quartet of Vienna, making Sunday afternoon one of its rare London visits, confirmed beyond all possible doubt that it is one of the finest string quartets now playing. The method of doing so could hardly have been more momentous — a superlatively mastered, absorbed, and communicated performance of the last Schubert quartet, D.887 in G, a work of such ferociously *exacting demands, with its hair*-raising quantities of tremolando in all parts and its arm-aching *tarantellà* finale, that lesser groups are proud of no more than a safe and secure traversal of the notes.

In this performance, the notes having been placed under command long ago, the interpretation of them could be relayed without fluster or fetter. It was an interpretation that showed an undemonstrative yet awesomely complete understanding of what those notes actually mean. This is, after all, one of the most heart-wrenching works in the quartet literature, with major-minor harmonic ambiguities *almost* too complex and far-reaching to be taken in in a single hearing. It was therefore almost unnervingly enthralling to hear the whole piece approached in a spirit of intense quietness, with an infinite care for the placing of detail and a "speaking" *sense of the* silences between the spaces.

Nothing was taken in haste, nothing treated as a physical hurdle; everything was shaded into the growth of the argument, and for that reason each movement developed a steadily accumulating power that more physically forceful readings seldom acquire. The gentle amplitude of the Berg Quartet style provides room for wonderfully spontaneous individual melodic inflexions (as in this quartet it is the cellist who starts out first on each new adventure, those by Valentin Erben seemed to convey a particularly piercing poignancy). A Schubert performance that both sings quietly and squeezes the emotions is a rare feat indeed.

The recital had begun with Haydn—the G minor Quartet, Op. 74 no. 3, not fully settled in style yet rich in the same insights that were later to crown the Schubert. In between came the Ravel Quartet. The very qualities so uniquely right for the Austrian composers proved fascinatingly not quite right for the Frenchman; the playing was most beautiful in its tone qualities, but it seemed to me too "blended," too gentle (the *pizzicato*-dominated second movement not really "très rhythmé"), quite without the crystalline *distinctness of line on which the* character of the music depends. But "wrong" Ravel of this calibre *merits no very severe* reproach.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Feb 7-13

Opera and Ballet

ITALY

Rome: Teatro dell'Opera: Cavalleria Rusticana and a new work by Lorenzo Ferreo, Salvatore Giuliano (Nicola Martinucci and Giovanna Casolla lead the cast) with libretto by *Giuseppe di Leva. Gustav Kuhn* conducts and the production, scenery and costumes are by Luciano Damiani.

Milan: Teatro alla Scala: *I Lombardi alla prima crociata* conducted by Gianandrea Gavazzeni and directed by Gabriele Lavia. Alberto Cupido (alternating with Walter Donati), Paata Burchuladse (Giorgio Surjan) and Elizabeth Connell (Yazuko Hayashi), and Luigi Roni.

Trieste: Teatro Comunale Giuseppe Verdi: Last year's Pesaro Rossini Festival production of La Donna del Lago conducted by Maurizio Arena in Ugo Tessitore's production. The cast includes Leila Cuberli, Lucia Valenti Terrani, Dalmacio Gonzáles and Luigi de Corato. (631948).

Turin: Teatro Regio: Un Ballo in Maschera conducted by Donato Renzetti. Sandro Sequi's production *for the Teatro Comunale in Florence* last year with scenery by Giuseppe Crisolini Malatesta. In the cast are Maria Chiara and Juan Pons. (548000).

NETHERLANDS

Amsterdam, *Stadsschouwburg. The* National Ballet with Haydn symphony by Linkens, and the world premieres of new ballets by Hans van Manen and Toer van Schaik (Tue to Thur). (242311).

Utrecht, Vredenburg. Rasila, the life of Krishna in music and dance by the Sri Caitanya Sansthana Rasamandali ensemble from Uttar Pradesh (Tue). (314544).

Amsterdam, Carre Theatre. The Hoofdstad Operetta production of Lehar's Graf von Luxemburg (Tue to Thur). (225225).

Scheveningen, Circus Theatre. Nederlands Dans Theater with Steptext by Forsythe, and Kilian's ballets Stamping Ground (Chavez) and Svadebka (Stravinsky). (Thur). (558800).

VIENNA

Staatsoper: Tosca conducted by Adler; Manon Lescaut conducted by Sinopoli with Freni, Hintermeier, Weikl; Die Fledermaus; Luciano Pavarotti gala; The Magic Flute (5324/2655).

Volksoper: Das Land des Lächelns; Nedbal's Polenblut; Die Csardasfürstin; La Bohème; Nicolai's The *Merry* Wives of Windsor (5324/2657).

NEW YORK

New York City Ballet (NY State Theater): The repertory of mixed programmes this week includes Slaughter on Tenth Avenue, Fancy Free and La Valse. Lincoln Center (8705570).

Metropolitan Opera (Opera House): The week features Samson in the joint Covent Garden production by Elijah Moshinsky with costumes and sets by Timothy O'Brien, conducted by Julius Rudel with Leona Mitchell as Dalila and Jon Vickers in the title role. The week also includes Romeo et Juliette with Catherine Malfitano and Neil Shicoff in the title roles, conducted by Sylvain Cambreling as well as Idomeneo. Lincoln Center (3626000).

LONDON

Royal Opera, Covent Garden: Salome, in another of the Royal Opera's once striking and now rather dated productions of the early 1970s, brings *Gwyneth Jones back to the title* role, shows José van Dam's Herod and Helga Dernesch's Herodias in London for the first time, and has Andrew Davis as conductor. Further performances of the Faust revival, with Stuart Burrows, Nelly Miricioiu and Samuel Ramey. (2401066).

English National Opera, *Coliseum:* La Bohème comes back with the ENO's strongest ever casting – Valerie Masterson, Josephine Barstow, Arthur Davies and Jonathan Summers, and Charles Mackerras conducting. Further performances of the disappointing Rossini Moses – modishly but weakly updated in production, sung with insufficient virtuosity – and final appearances of the latest Mastersingers, with Norman Bailey's famous Hans Sachs and a more than promising Eva from Kathryn Harries. (8363161).

PARIS

La Traviata alternates with a Ballet Spectacle, Un Jour ou Deux, in Merce Cunningham's choreography, and Washington Square in Rudolf Nureyev's choreography. Paris Opéra (4742 5750).

Britten's The Turn of the Screw conducted by John Pritchard/John Burdekin in Cologne Opera's production realised by Michael Hampe. Opéra Comique (42960611).

Rossini's Italian girl in Algiers in co-production by TMP-Châtelet and Ensemble Orchestral de Paris conducted by Gabriele Ferro at the TMP-Châtelet (42334444).

WEST GERMANY

Berlin, Deutsche Oper: Oberon is premiering this week, produced by Herbert Wernicke with Peter Seiffert and Gudrun Sieber as leads. Fidelio, a Jean Pierre Ponnelle production, stars Ingrid Bjoner and Rene Kollo. Tosca is respectable with Yoko Nomura and Wladimir Atlantow. (34381).

Hamburg, Staatsoper: Don Carlos is steered to triumph by Giacomo Aragall brilliant in the title role. Zar und Zimmermann is a well done repertoire performance. My Fair Lady has Gabriele Ramm as Eliza Doolittle and Boy Gobert playing Henry Higgins. Further offered Il Barbiere di Siviglia and Wozzeck. The latter brings together Anja Silja, Bodo Brinkmann and Kurt Moll. (351151).

Stuttgart, Württembergisches Staatstheater: Wagner's Ring cycle, produced by Jean-Pierre Ponnelle, is again added to the programme. Das Rheingold with Eva Randova, Wolfgang Probst and Klaus Hirte and Die Walküre with Catarina Ligendza, Hanna Schwarz and Helmut Berger-Tuna. Martha rounds off the week. (20321).

Frankfurt, Opera: Don Giovanni has fine interpretations by Jill Gomez, Paula Page, Susan Roberts and Benjamin Luxon. Also in the same week, Hoffmanns Erzählungen with Elizabeth Parcells as Olympia and Der Zigeunerbaron. (25621).

Saleroom/Antony Thorncroft

Ink pot fetches £10,800

A previously unrecorded blue and white ink pot, made at the Bow works in London in 1750 and inscribed with the words "*Made at New Canton,*" sold for £10,800 at Christie's yesterday to the London dealer Winifred Williams. The price was at the low end of the estimate.

The same dealer paid *£7,020* for a Bow circular tureen and cover of around 1750. The sale *of British ceramics was on* target, with a morning total of £146,772 and only 5 per cent unsold. A Wedgwood three-colour jasper figure of a reclining child by William Hackwood, produced around 1785, was just above forecast at £10,800, while a Wedgwood white jasper model of a ruined column vase, traditionally attributed to William Keeling was below forecast, selling to the dealer Horne for £8,640.

A Wedgwood and Bentley *black basalt hare's head stirrup* cup of about 1775 almost doubled its forecast at £9,180. Among the earlier works, a London Delft blue and white inscribed amorial jug, bearing the date 1691, was bought by Lindsay Antiques for £8,100, twice its forecast.

Two museums were successful bidders, the Science Museum paying £2,052 for a salt-glazed stoneware commemorative bottle of about 1750, and the Houston Museum £1,188 for a Worcester Valentine pattern coffee cup and saucer of about 1758.

The bottle *carried water from* Iron Peartree, near Godstone, in Surrey which was sold as a cure for gout. The container is inscribed "Oh! the Gout" on one side, and "Drink & be Well" on the other. The water was sold on the spot at 12d a *gallon*, but in London for 2s 6d *for* a three-gallon bottle.

Sotheby's sale of English and European glass went according to plan, with a total of £221,650 and 12 per cent unsold. A Jacobite "Amen" glass, *inscribed* with an opposition version of the National Anthem, sold for £14,300 to Asprey's. It ends with the ringing declaration "Grant us one favour more; The King for to restore; As Thou hast done *before; The familie.*"

The glass had been part of the Perry collection, which was dispersed at Sotheby's in 1924, and again came under the hammer there in 1972 when it sold for £2,700.

The top price was the £16,500 paid by the Viennese dealer Kovacek for a transparent enamelled topographical beaker with a view of Meissen. It was made around 1810 by Samuel Mohn.

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Moscow tests the West

THE Soviet Union continues to hold the centre stage in the propaganda debate on arms control. Barely three weeks after Mr Mikhail Gorbachev's sweeping proposals for total, world-wide nuclear disarmament by the year 2000, Moscow appears to be offering an agreement on Intermediate-range Nuclear Forces (INF) in Europe, which would be quite separate from the negotiations on strategic and space weapons. Insofar as these initiatives may indicate an untraditional flexibility in Moscow, they should be welcomed and carefully scrutinised by the West for whatever opportunities they may offer for progress in arms control. On the other hand, the Soviet position has clearly been devised to search out any possible rifts within the Atlantic Alliance: between Europe and the US, and between the nuclear and the non-nuclear allies in Europe.

For this reason, intra-Alliance consultations will be even more important this time round than they were during the abortive Euro-missile negotiations which collapsed in 1983. The US Administration is taking detailed soundings in western Europe and the Far East; soon after they are completed, the US is expected to make a detailed response in Geneva.

Counter-proposal

As publicised, the Soviet proposal for a separate INF agreement has two major components: the US and the Soviet Union would eliminate all their Euro-missiles in Europe, but the Soviet Union would not eliminate its mobile SS 20s in Asia; and Britain and France would freeze their nuclear forces, while the US would agree not to transfer any missiles to its allies.

Advance indications suggest that Washington, subject to current soundings with its allies, is preparing to make a generally positive counter-proposal to the offer of a separate INF agreement: the elimination of all Euro-missiles in Europe, plus a 50 per cent cut in the Soviet SS 20s in Asia. There would be no question of the US undertaking any commitments as to the British and French forces.

Such a counter-proposal might satisfy some of President Reagan's political imperatives, but could prove divisive in Europe. A separate INF agreement would allow the administration to claim real progress in arms control, while postponing the fateful day when it might have to choose whether to trade restrictions on its Star Wars programme in exchange for deep cuts in long-range strategic missiles; and the elimination of all INF weapons in Europe would correspond, at least in declaratory terms, to the original US offer of a Zero-Zero option.

Yet serious question marks remain. How will the European allies rationalise the removal of all the American cruise and Pershing II missiles? Their deployment was widely explained on the grounds that they would help couple Europe to the US deterrent, by providing an essential link between battlefield and strategic weapons; even if the argument was shaky, their removal may raise doubts in Europe about the credibility of the US nuclear umbrella.

Modernisation plans

But the most awkward potential dilemma concerns Britain and France. London and Paris have long made clear that they would suffer no constraints on their nuclear forces until the superpowers agreed deep cuts in their strategic nuclear forces and renounced any build-up of anti-missile defences; in addition, the French demand equality of conventional forces in Europe and the elimination of chemical weapons.

The logic of this position is that any British and French contribution to the Geneva negotiations would come right at the end of the process. But the logic of the Soviet position is to drag Britain and France into a much earlier phase of the negotiations, by trying once again to redefine their national deterrents as INF systems.

There is no chance that France, or the present British government, would accept proposals which compelled them to renounce their modernisation plans (in Britain's case, the purchase of Trident from the US). But the two governments could be in difficulty if they can be represented by Moscow as the only obstacle to an agreement eliminating Euro-missiles.

That difficulty is not yet immediate. European public opinion, assuaged by the mere fact of negotiations, seems so far unexcited by Soviet manoeuvres. But the difficulty could become more intense if President Reagan decides he needs a real achievement at his second summit with Mr Gorbachev later this year.

Building society conversion job

THE TREASURY'S proposals for allowing building societies to convert to companies show all the symptoms of an over-reaction. The original 1984 Green Paper on the reform of building societies adopted a *laissez faire* stance. It suggested that, for a building society to become a company, a simple procedure should be followed to seek the approval of members, who would be allocated the shares in the new company, free of charge.

However, in the weeks before the publication of the Building Societies Bill in December, converting to company status suddenly became a topic of interest. Abbey National and other large societies said they might wish to escape the restrictions on their activities as building societies envisaged in the bill.

The realisation grew that the green paper procedure could give building society investors large windfall profits and lead to abuse. On the slightest rumour of a planned conversion, investors would switch large sums of money between societies creating liquidity crises. This was the experience of the US savings and loans bodies before the conversion process there was regulated in 1976.

The Treasury responded by publishing a consultative document on the conversion process at the same time as the bill. This will lead, it is hoped, to amendments being introduced to the bill, now passing its committee stage, over the next few weeks.

The consultative document has proposed restrictions on the conversion process which go well beyond removing the scope for abuse.

Reasonable compromise

The underlying problem is the ownership of the £5bn of building society reserves. The original green paper proposal said in effect that the reserves should belong to all the investors at the time the society converts. They would thus receive a gift of assets that should in theory belong to all those investors and borrowers who have contributed to the mutual organisation's accumulated surpluses throughout its history

The consultative document proposes a reasonable compromise between the theory and the practicalities. Only investors of two years standing before the conversion who remained as investors for two years after would be entitled to the benefits of ownership.

Even then they would in effect be able to pocket only a small proportion of the value of the building society's reserves. The rest would belong to the society itself, an unsatisfactory solution as the Trustee Savings Bank case illustrates. As a result, the converting society would be able to raise substantial equity capital up to the point that its stock market value falls well below its net asset value. This is hardly a formula to promote the efficient allocation of the nation's capital.

As a further, and unnecessary, safeguard, the Treasury proposes that at least 20 per cent of all those entitled to vote must approve the conversion. Larger building societies are lucky if they get a turnout as high as 10 per cent even for merger proposals attracting extensive publicity.

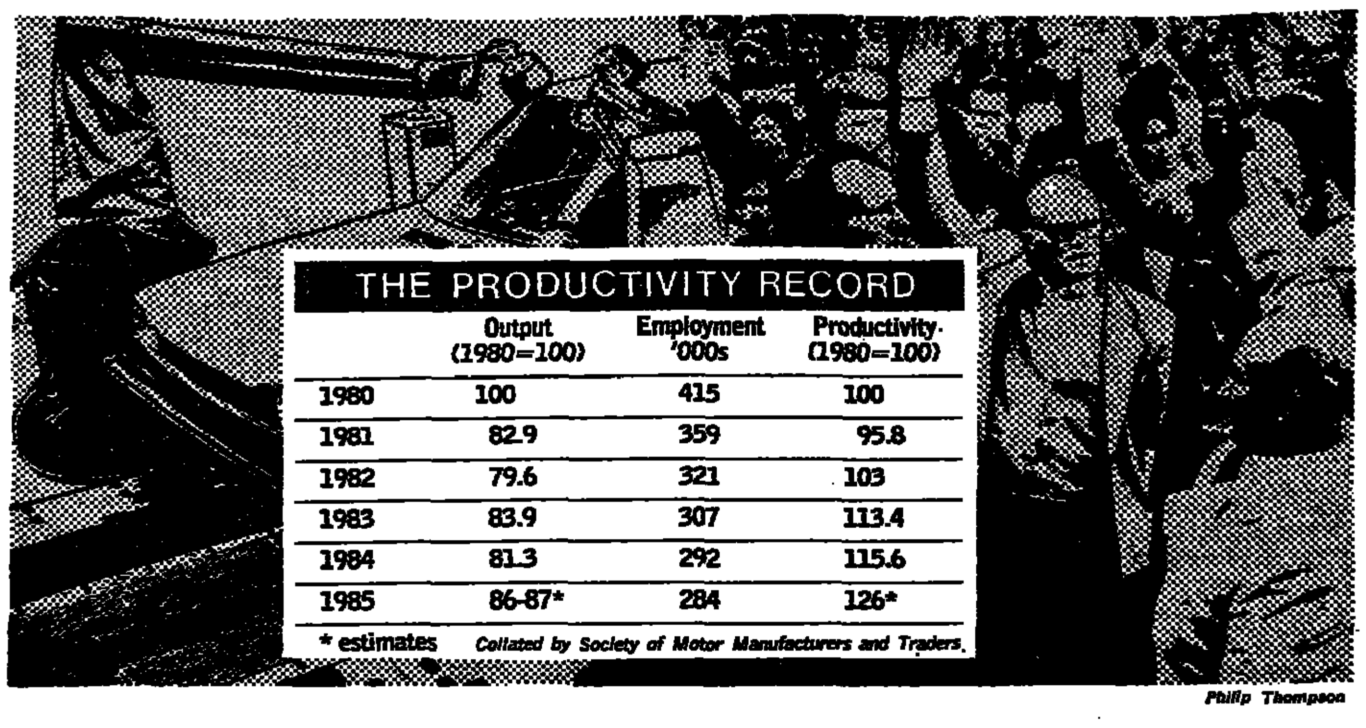
Substantial discounts

In the case of a society converting as a prelude to its acquisition by, say, a clearing bank or foreign bank that wishes to build up its retail network, the restrictions proposed are so onerous as to be prohibitive. In particular, 50 per cent of all investors would have to approve. The consequence of this requirement will be to impede artificially the rationalisation of the retail financial services sector.

The Government's concern *should be to prevent outsiders* from rushing in to acquire building societies at substantial discounts. But if the acquirers are forced to pay more building society investors will receive more, which will make it more tempting for them to agree to a conversion and takeover.

The real problem is that in any conversion a windfall will become availabe to some group, investors, acquirers or managers. The only other candidate for a share of a society's reserves is the Government, on the principle of *bona vacantia* (crown forfeit), but presumably a conversion tax would be even less popular than the present restrictive proposals.

LABOUR RELATIONS IN BRITAIN'S MOTOR INDUSTRY



THE PRODUCTIVITY RECORD

	Output (1980=100)	Employment '000s	Productivity (1980=100)
1980	100	415	100
1981	82.9	359	95.8
1982	79.6	321	103
1983	83.9	307	113.4
1984	81.3	292	115.6
1985	86-87*	284	126*

* estimates *Collated by Society of Motor Manufacturers and Traders.*

Philip Thompson

The massive leap that may not be big enough

By Arthur Smith, Helen Hague and David Thomas

'WITH the same power at his elbow and doing the same job as his continental counterpart, a British car assembly worker produces only half as much output per shift. It is not too late to correct these weaknesses." That was the challenge thrown down to Britain's motor industry in 1975 by the Central Policy Review Staff, the Government think tank.

Ford of Britain, which has just bought its way out of a threatened strike by its 37,000 car workers over pay and productivity with a deal worth up to 18 per cent over two years, complains that output per employee in Britain is less than two thirds that of its factories in West Germany. The company wants flexibility in the use of labour, an end to demarcation disputes and greater responsibility from workers in ensuring quality.

It is too harsh, however, to say that nothing has changed. Austin Rover, for example, has just completed an almost strike-free year and Jaguar claims to have doubled productivity inside five years.

Mr Harold Musgrove, chairman of Austin Rover, claims productivity, at 14 cars per man per year, is already up to the best in Europe. Now a new initiative is being launched to involve the workforce with the aim of lifting productivity to Japanese levels.

Mr John Egan, chairman of Jaguar, who has led a turnround of the Coventry-based quality cars company, insists the company is on a par with BMW and the European competition. Similar claims come from Vauxhall, the UK subsidiary of General Motors, and from Peugeot Talbot, the UK arm of the French multinational. Mr Geoffrey Whalen, Peugeot's UK managing director, maintains that the good practices at his assembly plant in Coventry — the city once notorious for its militant car workers — are being used as an example for the company's French factories.

The question, then, is not whether change has occurred, but whether it has occurred on the necessary scale.

The Think Tank report could hardly have been more damning. It complained of overmanning, a slow work pace and ruinous attitudes by both management and workers. And it identified four key reasons *for poor labour relations*: lack of confidence in long-term prospects; a long history of conflict and lack of trust; poor communications and recent changes in payment schemes.

What progress has been achieved in these areas?

● **Confidence**: Here, perhaps, the Think Tank simply got it wrong, arguing that "stop-go" economic policies of the 1960s were damaging to the chances of modernising work practices. In fact, the very insecurity of job prospects in recent years has been critical in undermining opposition to new work practices. The haemorrhage of jobs from car assembly and related component supply—down from 467,000 in 1975 to 284,000 last year—has created a new environment. BL's volume cars operation has shrunk from 120,000 manual workers to 26,000. Chrysler, acquired by Peugeot of France, for a nominal $1 in 1979, has dwindled from more than 30,000 to little more than 5,000.

The new attitude is illustrated clearly by the man who headed the union side of the current Ford negotiations, Mr Mick Murphy. National Automotive Secretary for the Transport Workers and a convenor at Ford's Dagenham plant for 16 years, he says: "There is no question at all of the need for change. The reality of what has to happen to make Ford competitive in order to attract continued new investment will have to be thrashed out at plant level with the shop stewards. Nobody likes change and there are bound to be problems, but they will not be insuperable."

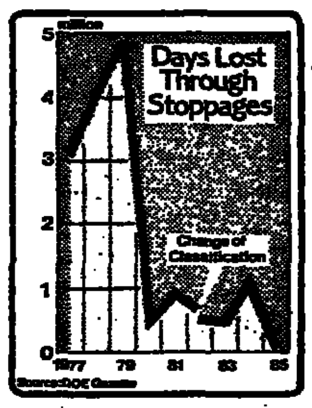
● **Conflict**: The Think Tank argued that the long history of disputes caused a serious lack of trust between the two sides of the industry. It pointed to the inability of shop stewards to uphold agreements, citing in particular problems caused by the rapid turnover of plant management at BL.

It was at BL, under the chairmanship of Sir Michael Edwardes, that the lead was given in breaking the grip of the shop stewards and asserting management's right to manage. *The pyramid of power* by which management tended to pass instructions to the shopfloor through the trade union hierarchy began to crumble with the dismissal in late 1979 of Derek "Red Robbo" Robinson, the Communist convenor at Longbridge.

The shop steward movement was thrown into a turmoil from which it has never recovered by a series of reverses at the hands of the workforce. In April, 1980 BL cars defied union opposition to impose unilaterally "the blue newspaper," radical new terms of employment — similar to Ford's more recent proposals. A similar "shop floor revolution" is reported at Peugeot-Talbot, at Jaguar, Vauxhall and Ford.

● **Communications**: The Think Tank complained that, in many cases, managers only talked to workers through the trade unions and shop stewards: "Management is unable to communicate clearly and convincingly to its workforce the true competitive state of the British industry."

Such a statement is no longer



true. At Jaguar, Peugeot and Austin Rover, the tracks are stopped regularly for managers to hold detailed discussions direct with the workforce on market performance, production and quality.

● **Pay Systems**: The Think Tank drew attention to the problems caused by the then BL and Chrysler falling into line with Vauxhall and Ford by introducing measured day work. In theory, the anarchy of piecework was replaced by a system where effort was evaluated scientifically by industrial engineers — "the time-and-motion men"—with management ensuring allotted tasks were carried out.

In practice, the foreman proved no replacement for the powerful shop stewards. Mr Bill Lapworth, a senior Midlands official of the Transport Workers, says: "Under piecework there was no problem of flexibility. Stewards would pull in workers from anywhere to make sure the job was done."

Ford has been making changes in the past few years but is behind its competitors, according to union officials. The company also differs from its rivals in spurning performance-related incentive schemes. The management philosophy is clear: "We operate measured day work. Our general experience is that bonus schemes are impossible to administer and lead to disruption rather than acting as an incentive."

The argument thus switched from pay to manning levels. Mr Mike Judge, personnel director of Peugeot Talbot, says: "For 10 years under pure measured day work we negotiated in the inefficiencies which it has taken us the past five years to get rid of."

The method chosen by Peugeot, Jaguar and Austin Rover to smooth the path for the much-needed productivity changes was self-financing incentive schemes. This was designed to relate earnings to effort as under the old piecework system. It offers bonus earnings worth around 20 per cent on top of the normal standard wage.

Mr Barry Tyson, a senior steward and Jaguar worker of 25 years, says: "Obviously we have to work a damn sight harder than before, but it is no worse than under the old piecework system."

Vauxhall, which also operates a performance-related incentive scheme yielding up to about £15 a week, offered additional one-off payments in its 1984 pay deal to encourage greater mobility of labour and flexibility between trades.

Vauxhall says it is satisfied with progress. Workers now inspect and correct their own work. Mobility extends to manning tracks in the event of "wildcat" strikes agreed by both unions and management to have been unconstitutional.

Similarly, at Austin Rover, it is claimed that objectives for movement of labour and flexibility between skills have largely been achieved. Workers move freely between operations without argument.

Ford, like Vauxhall, is offering a special payment—4 per cent on basic pay—in order to buy out restrictions on productivity. While clinging rigidly to the philosophy that it is management's role to ensure workers give maximum effort, Ford is shifting ground dramatically to the modern practice that more responsibility should be given to employees to improve quality.

Ford wants operators to undertake new tasks such as finding and repairing minor machinery defects, fetching materials, cleaning machinery and inspecting for quality. Pressure for such change comes from the example of the Japanese-style of management, introduction of sophisticated new machinery with in-built quality checks, and the sheer drive to be competitive.

The trend towards "inspect and correct" now apparent across the UK industry is well illustrated at Peugeot Talbot where patrolling inspectors have been phased out. The onus is placed on the operative to assess his own quality. The two-tier foreman/superintendent management structure has been replaced with a supervisor overseeing groups of around 25. The company says: "Workers wanted the foreman off their backs and to be trusted to get on with the job themselves."

Similarly, at Austin Rover, a zone system of management has been introduced with a manager —"a mini managing director"—taking full responsibility for groups of around 25 workers. The company, in a strategy aimed at closing the productivity gap with Japan, plans to create "zone circles," an advanced form of quality circles in which shopfloor volunteers will be sought to join discussions on all production matters.

So how far have these changes taken the industry?

A broad indication of productivity trends *is given by the* Society of Motor Manufacturers and Traders which suggests there has been a 25 per cent improvement in production across the whole motor industry since 1980. Admittedly the definitions are arbitrary at the edges with some parts of the components sector excluded.

The 25 per cent improvement, however, is no better than the overall performance by manufacturing industry in the period. Mr Michael Cross of the Technical Change Centre, a leading researcher into demarcation in industry, says that car assembly has been good by the standards of most engineering, but poor against process industries such as chemicals and oil refinery.

William Brown, Professor of industrial relations at Cambridge, however, says it is important not to underestimate the scale of progress: "For mankind as a whole it might be one small step, but for an industry with such a history of problems it is a massive leap."

The problem is that improvements in man management may not be enough. The next surge of productivity seems likely to depend upon the linked issues of new investment and sales volume.

At Jaguar, for example, productivity improvements have stemmed from better management of conventional facilities—the next leap in efficiency is projected to come from the introduction of new equipment. Automated manufacturing systems that will start to come on stream with production later this year of the new model, the XJ40, are planned to raise output from 42,000 cars this year to around 60,000 by the end of the decade. The labour force will be held steady at the present 10,500 as the company takes advantage of projected expanding markets.

For Austin Rover, already seeing the benefits of new technology, sales volumes will be crucial. Productivity jumped in the first half of last year when the company boosted output by nearly 60,000 to 257,000, but failure to achieve a corresponding breakthrough in sales led to extensive lay-offs and a cut in vehicle output.

Vauxhall's productivity meanwhile has been helped by raising UK sales. But, as some union officials have recognised at Ford, workers have to deliver the required efficiency to the US multinationals if they are to continue to attract new investment.

Professor Brown sums up the new attitude to change: "I never cease to be amazed by reports from the trade unions of workers voting to stand on their heads—if only it will bring the prospect of job security."

A better fit for Coats

David Alliance, Vantona Viyella's chief executive, confessed yesterday that his takeover bid for Coats Patons had almost been stillborn.

Over lunch with James McAdam, Coats's Scottish managing director, at the end of last year, each misread the other's signals. "I asked David what he thought of Tootal," McAdam said. "He replied 'it's not for us, the fit is not right.' I thought he was saying Coats was not a good fit either."

As a result, Coats looked around and came up a fortnight ago with an all-Scottish merger with Dawson International, the Pringle sweaters group.

A rather embarrassed McAdam had to admit yesterday that the company had pulled out of that deal and was now backing a slightly higher offer from Vantona. "But price did not really enter into it," he said. "You have to look at the whole package.

"Dawson was very strong on brand names but Vantoa is even better. It has a much wider range of brand names and the synergy is good."

Alliance was bubbling yesterday—but the Dawson bid nearly caught him napping. "We thought we would announce our figures and then give it a week or two before making a move for Coats. We had to move pretty fast when we saw what Dawson was doing."

Alliance called his aides together, hammered out an approach and got in touch with Coats late on Friday night. By Sunday night, the bid had been agreed.

The misunderstandings cost Vantona quite a packet, though Alliance was anxious to play this down yesterday. When Dawson came on the scene, Coats's shares stood at 149p. Vantona's bid yesterday offered a cash equivalent to a paper deal of a little over 238p.

Alliance denied he could have saved much by acting before the Dawson move but in the market the feeling was that the delay had cost Vantona 40p-50p a share.

Men and Matters

Up in Kinross, meanwhile, a mortified Ronald Miller, chairman of the abandoned suitor, Dawson, was bemoaning his fate.

Fourteen days ago, he and McAdam had been chummily extolling the virtues of an all-Scottish Dawson Coats Patons group. Coats's about-turn was "astonishing," he said. Pointing to the cash difference between the Vantona and Dawson bids, he added: "Coats's board has changed its mind for 13p. I could not have done it."

Manly pursuit

The Canadians are finding that while good intentions about not offending any conceivable minority grouping sound fine and dandy they can prove difficult to put into practice.

A new and impressive museum is being built across the Ottawa river from Parliament Hill and is to open in July 1988. From the beginning the project has been given a working title: the National Museum of Man.

But the very idea of calling it anything like that in modern non-sexist Canada has caused consternation, both in and out of parliament.

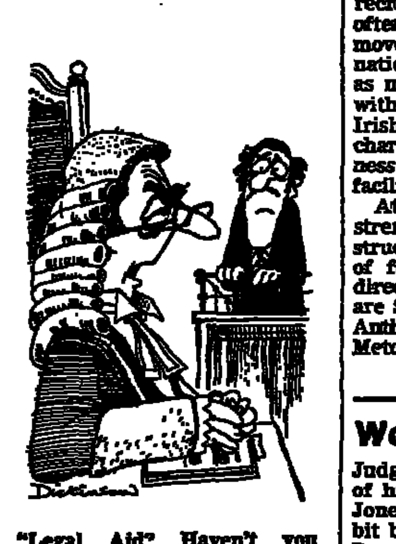
A national search for a name acceptable to all Canadians which will yet still describe the museum's proper function is now under way.

The museum authorities have come up with 50 names including—the Museum of Man and Woman, the Museum of Mankind, and the Museum of People.

More original—certainly brighter—are some of the ideas from the public, which has written in with nearly 2,000 ideas.

Proposals include the Museum of Herstory and History, the Museum of Men, Women and Gays, the Museum of Man and his Wife, and the National Museum of Others.

In spite of all this help the museum remains nameless. The communications minister Marcel Masse has now set up a special committee to decide on a non-sexist name.



"Legal Aid? Haven't you caused enough misery without starting on barristers?"

Green pastures

Kenneth Green is one of those Americans who clearly enjoys *living in London. After six* years in the capital with Bank of America International, he is going native by transferring to the planned Barclays de Zoete Wedd investment banking unit being planned by Barclays Bank ahead of the "big bang" later this year.

At Barclays de Zoete, Green, 42, will be responsible for all the group's capital market business out of London, Hong Kong, Tokyo and New York. Insiders say the appointment means that he will have a key role in developing Barclays' capital market strategy as the City revolution gathers force.

The move is remarkable for a lack of the acrimony and recrimination that these days often surrounds City personnel moves. Bank of America International quickly replaced Green as managing director yesterday with Gerald Doherty, a forceful Irishman, who has been in charge of its marketing, business *origination and Euronote* facilities.

At the same time, it is strengthening its management structure with the appointment of four new deputy managing directors from in-house. They are Stephen Clasper, Paul Gold, Anthony Campey and Philip Metcalf.

Work ethics

Judging from the opening part of his speech Sir John Harvey-Jones, chairman of ICI, was a bit bemused when asked by the Royal Society of Arts to talk about the ethics of manufacturing industry.

Ethics are ethics, after all, at any level of society, he said, and that didn't mean "money for old rope, or money on false pretences," but "the ethics of doing a good job and doing what we are paid to do properly and professionally."

Characteristically he also managed a few plain-speaking swipes at people whose views he doesn't share, such as the anti-agrochemicals and herbicides brigade.

He reminded his audience that even now 90 per cent of the world's population spends 90 per cent of its time doing what it was doing back in the Middle Ages—weeding.

And for those who in his view take away the respect that all people deserve by talking about "human resources" or the "labour market" Sir John concluded dismissively. "Such crudity of thought and distant intellectualism should have no part in our vocabulary."

Observer

Letters to the Editor

Plenty of traditionally strong European industries

From Mr S. Telegdy

Sir,—The heading of Sir Michael Butler's article "How Europe can fight the multinationals" (February 5) was a warning signal to anyone who may have expected a less polemic plea for governmental *support of European* co-operative research from the former UK representative to the European Community.

Certainly, your transoceanic readership will be confused. Are they now to fight ICI in the *US*, Volkswagen in Brazil or Ciba-Geigy in Japan? Or only those companies stuck with the emotive multinational label, which have been the catalysts of high technology transfer to Europe?

Yet this sort of politicised, one-sided approach with its divisive *rhetoric* may still serve a good purpose: that of finding the *right* direction for sponsored industrial research and development. There are many who *seriously question the* soundness of targeting government or EEC funds towards technology areas, which are weak in Europe. The need to reinvent the wheel of electronics, telecommunications etc is only felt by those to whom self-reliance is a political, not an economic maxim. Building on strengths has always been the soundest industrial strategy. There are *plenty of* traditionally strong European industries, whose products compare favourably with the best in the world as testified *by the success of* numerous European — multinational — companies in the US and Japan. Why not strengthen them, rather than pour money into uncompetitive industries?

The prospect of squandering government funds on glamorous dreams strengthens my belief that while industry left to its own devices may not be infallible, it will still *do better than under the* influence of governmental interference. If only one could show us how to fight the meddling politicians.

Stephen I. Telegdy.
B-1150 Brussels,
Ave. des Eperviers, 72
Belgium.

Conscientious teachers

Sir, — I was at a London tube station recently and observed a group of school children and two teachers who were accompanying them. They were, *judging from the remarks of the* children, going to one of the museums in Kensington.

The young man was wearing a pair of old boots, partially laced and badly in need of some boot-polish; his trousers of the trendy camouflage type, seemed to have been slept in for the past year or two. He wore an old battle-dress top with no sign of a shirt beneath, had an unkempt beard and moustache, and it was all crowned by a mass of uncombed hair. The young woman had a punk hairstyle atrocious make-up and a crumpled denim blouse and trousers. She was also wearing a pair of dirty-white plimsolls.

Both teachers were leaning against the wall, each with a cigarette hanging from their lips. Shortly afterwards they ambled gently off, the male teacher with his hands in his pockets, shoulders bent, still puffing away at his cigarette.

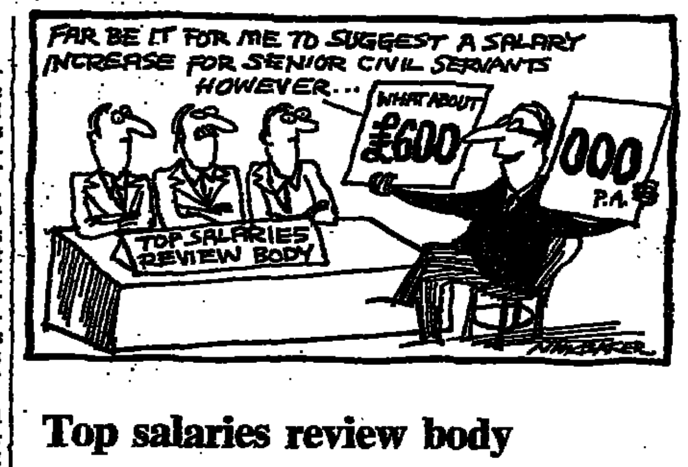
These two teachers may not be typical of teachers in general, but they are undoubtedly included in Mr Fred Jarvis's claim that his members are professional." They typify, in my opinion, what is wrong and bad in the teaching profession today. How on earth can they be responsible for the education of the nation's children when they are incapable of setting a good example to the children entrusted to them, in manners, deportment and dress; I find it astonishing that they have so little pride *in their own* person and personal behavior. God knows what sort of people these children *will become, when their* mentors are such bad examples.

That these "professional" teachers accept their salaries even though they have not worked for all of it, and treat striking and classroom disruption as the normal way of negotiating grievances simply adds to the profound disquiet parents must have in leaving their children in their hands.

It is time Mr Jarvis explained to the parents and the public at large just why he is unwilling to negotiate terms and conditions of employment for his members. Everybody else in Britain is required by law to have a detailed contract of employment — why not the teachers? Are they afraid they'll have to do some real teaching?

These comments are unfair and I know it. There are many good and conscientious teachers who have to suffer because of the lack of professionalism in others. They have the solution in their own hands — they should vote (with their feet, if needs be) to accept Sir Keith Joseph's offer of more money for good teaching and less for bad teaching. Strangely enough other professions work on this basis!

G. B. Miller,
Maternusstrasse 22
D4052 Korschenbroich 2
West Germany



Top salaries review body

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir,—Your article "Downing Street's machine minder" (February 8) could revive a myth which was given currency in an article by Samuel Brittan (August 4 1985) and which I should like to dispel.

The salary rates for senior civil servants, senior officers of the armed services and the judiciary adopted by the Government in July last year were those recommended by the independent top salaries review body (TSRB). I was responsible for co-ordinating the interdepartmental processing of the issue, including the preparation of options for implementing the recommendations by stages, for consideration by Ministers. I had earlier given evidence to the review body, at its request, on such matters as recruitment, wastage, motivation and morale in the civil service. But I did not make any recommendations or suggestions of any kind as to salary rates either to the review body or to Ministers. Indeed it would have been quite wrong for me to do so, given that my own salary was one of those involved.

(Sir) Robert Armstrong
70 Whitehall SW1

Personal tax reform

From Mr C. Beattie, QC

Sir,—Your article (February 3) on personal tax reform suggests that every adult, married or single, should be given the same standard tax allowance against his or her income, with no right to transfer the allowance to his or her spouse or anyone else. This is surely right, though possibly improving the proposal by phasing out personal reliefs altogether for income rising above a certain figure. You suggest, though, that the Chancellor of the Exchequer might be unwilling to make this sort of change because the Conservative Party *might lose the votes of those* who would do less well from the change. I sincerely trust that party political considerations are not going to inhibit the Chancellor from proposing what is sensible.

During the past six years of Conservative government, Parliament has passed Finance Acts of greater length than in any comparable period in our country's history. The result is a taxing structure of such complexity as almost to defy imagination, and this from a party that promised to simplify our taxes. Much of the trouble lies in the imposition of various taxes (now perhaps to have a poll tax added) at unduly high rates with a vast number of reliefs granted in response to the whims of the moment and kept on foot with unceasing amendments.

The task which faces the Conservative Party is to get Parliament not merely to make personal reliefs fair — which has not been done after many years of talking — but also to do away with nearly all other reliefs from tax. Such a move *would enable rates of tax to be* reduced, and if coupled with stopping the ever-increasing spending of public money on unworthy objects, would enable the overall tax burden to be reduced, as promised by the Conservative Party, instead of being continuously increased, as has in fact happened. Or would party political considerations inhibit any such programme?

C. N. Beattie.
24 Old Buildings,
Lincoln's Inn WC2

MFA and consumer choice

From the Chairman, Consumers' Association

Sir,—Your leader (January 30) is both timely and to the point. We have argued for many years that the Multi-Fibre Arrangement deserves progressive and effective euthanasia, given the well-documented costs it imposes on the economy in general and consumers in particular. Now is the time for that to happen, when we have a strong lobby from developing countries, the forthcoming Gatt round and, not least, a relatively healthy West European textile industry.

We share your dismay that the European Community has so far failed to grasp the nettle by agreeing on a firm plan to phase out the MFA.

It simply won't do to play the usual European game of split-the-difference between protection and liberalisation. Nor will it do just to tinker with politically sensitive but minor features of the arrangement, such as its unfair treatment of the poorest countries and of children's clothing, welcome though reforms would be. The Community's trade ministers *need to seize on the wholesale* phasing out of the MFA as an urgent political priority in the interests both of a successful Gatt round and of the 300m European consumers who always pick up the bill for protectionism.

Rachel Waterhouse,
14, Buckingham Street, WC2.

Convertibility of currency

From Dr P. Collins

Sir,—Professor Pearce (January 30) is correct in pointing out the merits of guaranteeing currency convertibility as a means of preventing inflation which has been the norm throughout *the period* during *which paper money* has been in use. Unfortunately it is not possible, *as he proposes*, to "define the unit of money in terms of a basket of commodities" without causing unacceptable distortions in commodity markets (such as that resulting from the attempt by the ITC to fix a "floor" price for tin).

What is possible, and is furthermore the only practical means of resuming real currency convertibility today, is to make money conditionally convertible into each of a range of commodities treated separately. Such a system would be simple to implement, and it would avoid the weaknesses of more complex schemes which would distort prices.

The details of this means of resuming currency convertibility were worked out in the 1940s by the Australian economist, the late Leo St Clare Grondona. As a form of currency convertibility, Grondona's system would have a beneficial influence on a wide range of issues, including reducing inflation; stabilising the exchange rate and the balance of payments; counteracting recession; and encouraging international trade (particularly that with developing countries). The scale of these effects would be determined by the scale on which the system was implemented by the government of any country adopting it.

If HMG is seeking a policy that will make sterling more stable without fixing the exchange rate, and that will resist both inflation and recession, it should resume the only policy that has ever preserved sound money, in the only way that is *feasible today*.

(Dr) Patrick Q. Collins.
Imperial College of Science and Technology,
Exhibition Road, SW7.

Decaying sewer network

From the Public Services Officer, Barnsley Metropolitan Borough Council

Sir,—Mr A. R. Guy (chairman CBI Water Panel, January 29) refers to *industry's concern* about adequate investment by a privately-owned water business in *flood* control. Local authorities, most of who act as agents for sewerage on behalf of the water authorities, are equally concerned about the nation's decaying sewer network.

In Barnsley, for instance, during the past 12 months 110 sewer collapses occurred. In addition, closed circuit TV surveys have identified many kilometers of sewers with anything from hairline cracks to signs of further imminent collapses. Even allowing for contributions from the National Coal Board where collapses can be related directly to recent mining activity, to ensure only a barely adequate level of service requires an annual expenditure of several million pounds. Yorkshire Water Authority has done an excellent job in making the necessary funds available in extremely difficult circumstances, to keep the worst of the problems at bay.

What is worrying many local authorities, and Barnsley is not an *exceptional* case by any means, is what treatment we can expect from a private company in the face of what is going to be an enormous call on its resources? The attractiveness of a company as a commercial investment having to deal with a problem of these dimensions must be open to doubt.

P. G. Thompson.
Town Hall,
Barnsley.

Metamorphosis towards market-based trade unionism

From Mr N. Stacey

Sir, — The metamorphosis from class-based to market-based trade unionism — as Lombard so aptly described (January 31) — raises the spectre of unleashing entrepreneurism among trade unionists; *it can also significantly* assist in the re-industrialisation of Britain.

As entrepreneurs arise largely from the ranks of immigrants, refugees and—the best of all catchment areas—the working class, why is it that the working class does not turn out *more of them*? A possible explanation is a *stifling* of working class entrepreneurial instincts by the historical stance of most trade unions and their officials.

With all too visible exceptions, trade unions have discouraged their members from aspiring to supervisory or managerial positions, not to mention board appointments. "A man who has gone over to the boss class cannot be trusted anymore"—a magisterial Herbert Morrisonian prejudice long outdated though still *lingering*. But, beyond such antique illogical prejudice lies the traditional trade union machine's mission to ensure that members remain rigidly "working class."

Encouraging advancement in job and social status, in personal self-fulfilment and responsibility for decision-making, have not been high on the unions' agenda. A negative, perhaps even hostile, milieu to rising job expectations — i.e. occupational status — must *dampen union members'* quest *for seeking more responsibility* —the mainspring for entrepreneurial action. Tacit or open disapproval of such ambitions or instincts by union officials must be followed by an anaesthesia of such desires on the part of trade union members. Such "disappointments" can become hardened and such attitudes transmitted by parents to children. This is one way that disdain *of* enterprise has been passed from one generation to the next.

Despite disapprovals at the workplace, the entrepreneurial propensities of the working class, i.e. trade unionists, cannot be suppressed—as revealed by the meteoric rise of the black economy. Since the recent growth in unemployment, self-employment has risen by 31 per cent! Moonlighters are drawn mostly from the ranks of workers and, with few exceptions, not from among PhD graduates. Freedom from external constraints to earn a living has been a liberating influence and, from all accounts, moonlighters are highly efficient at their jobs; these are the working class entrepreneurs in embryo!

Traditional trade union attitude to entrepreneurial instincts, such as innovation, has, at best, been negative but, *more likely, hostile. In a fast* changing world of skills and jobs, such a stick-in-the-mud approach is insupportable. The days are gone when trade unions could be concerned only with "matters that directly and immediately affect labour"—thus excluding from consideration the problems of the firm. "*Technical* and commercial policy, sales policy, the raising of finance, the supply of new materials," that is, the business infrastructure that sustains employment. Narrow sectarian interests of any group are indefensible today—as compositors to coal *miners are beginning to learn.*

The success of latter-day entrepreneurism in Britain will probably help change the *traditional*, frozen, anti-risk posture of trade union prejudices by de-mythologising it. Progressive union officials have successfully practised entrepreneurship, thus helping Britain to regain her commercial elan and resilience—a precondition of re-industrialisation and a key to expanding employment!

Nicholas Stacey,
Reform Club,
Pall Mall SW1

The Philippines election

Marcos: the victory no one could stop

By Chris Sherwell in Manila

THREE DAYS after last Friday's hotly disputed presidential election in the Philippines, the most alarming *but confident prediction looks* certain to come true. Mr Ferdinand Marcos, by hook or by crook, will retain power, and his challenger, Mrs Corazon Aquino, will be excluded.

The cost is also much as forecast. Mr Marcos's credibility has hit an all-time low, and he faces potentially insuperable troubles. His closest friend and ally, the United States, is in an appalling dilemma. And *the outlook for the Philippines* is unrelieved uncertainty—the one thing the election was supposed to remove.

What no one accurately predicted were the events of Election Day itself. Nobody foresaw the shaving of the electoral rolls to enhance the *effectiveness of phoney votes.* Nobody guessed the abuses would be so blatant. Nobody imagined the counting could be so deliberately confused.

Hundreds of thousands of people were disenfranchised last Friday. The abuses, witnessed by foreign observers as well as ordinary Filipinos, included vote-buying, switched ballot boxes and rigged election returns. The count slowly degenerated into farce, and by *last night it was obvious that* only Mr Marcos could win the official tally done by the National Assembly he controls.

At every turn Mr Marcos, ministers and the government-controlled media have thrown back criticisms made by the Opposition and the National *Movement for Free Elections* (Namfrel), the citizens' watchdog monitoring the poll, which was supposed to conduct a parallel "quick count" with the Official Commission on Elections (Comelec) and ended up with completely different running totals.

Just as Mr Marcos sought before the election to create doubts—over whether he would really call an early election, over the date, over whether the courts would allow it to go ahead and whether he might withdraw at the last minute—so all tactics during and after the election have seemed aimed at creating maximum confusion for the greatest tactical advantage.

What Mr Marcos could not *have reckoned on was* the outspokenness of the international observer teams which came to see the polls for themselves. On Sunday, a 44-member delegation drawn from 19 nations openly accused Mr Marcos's party of cheating. Yesterday a US Congressional team spoke of "disturbing" efforts to undermine the electoral process, and its leader, Senator Richard Lugar, said the poll was "teetering on the brink of disaster."

Mrs Aquino is faced with the *question of whether to stand* by her pledge to lead daily public demonstrations against Mr Marcos. To be effective, these could not be like the outpouring *of grief* after the assassination of her husband, opposition leader Benigno Aquino, 2½ years ago. There would have to be a deliberate challenge to the authority of Mr Marcos.

Irritated by previous talk of disturbances, Mr Marcos had warned the opposition before the election that he would meet "violence with violence." Last night's incidents could be a nasty foretaste of what is to come. Much will depend on the will of people to commit themselves to a long and potentially costly battle.

To some extent the chance of a spontaneous mass reaction has looked slimmer as each day has passed, as Mr Marcos probably calculated when the counting of votes was slowed to a crawl after the election. But left-wing groups have indicated their readiness to join Mrs Aquino if she leads militant street demonstrations, and one of them plans to start its own protest today.

The role of the Roman Catholic Church will be crucial. It has the capacity to restrain people in the cause of peace or push them on in the pursuit of justice. Last year it talked of a "parliament of the streets," and if nuns should now confront armed police, it will be far more *than that*, and quite possibly contagious.

The Communist-inspired insurgents of the New People's Army seem likely to step up their activities and certain to acquire more recruits. *Diplomats* suggest that another murky group, known locally as the "Socdems" and believed to be *urban middle-class* radicals, may also turn to organised violence.

The critical unknown factor is the military, headed by General Fabian Ver, the man implicated and cleared in the alleged conspiracy to murder Mrs Aquino's husband. In the event of demonstrations, *it is* not clear whether the 210,000-strong armed forces of the Philippines can be wholly depended upon to enforce Mr Marcos's writ.

Particular attention has focused recently on the so-called "Reform Group" of *younger officers* within the military, to whom Mrs Aquino indirectly appealed before the election with her promise that "overstaying" generals would be retired and "deserving" colonels and other officers would be promoted.

The US's position on such matters will be vital, but its dilemma right now is that a long-time friend and ally has, in effect, stuck his tongue out at Washington.

It is not obvious what Mr Reagan can do in response. The most talked-of option, a cut-off in aid, might take time to implement and could probably be managed only for about two years without jeopardising the agreement under which the US uses strategic air and naval bases in the Philippines.

Mr Marcos knows how important those bases are to the US — even Washington said they were "irreplaceable" shortly before the election. He also knows that the US cannot afford to undermine the counter-insurgency effort in the Philippines.

As for Mr Marcos, who is 68 and has held power for over 20 years, no one knows his people better. It still remains possible that the controversy over the election will disintegrate into an array *of* legalistic battles, Church Masses and expensive patronage. Thus, with a move towards a promised constitutional reform and a review of the hated decree-making powers, Mr Marcos could remain firmly in the saddle, at least for the moment.

Since it is not in Mr Marcos's character to give ground unnecessarily, however, the more plausible outcome is a groundswell of resentment and bitterness which will take Filipinos closer to their limits of tolerance and provocation. It will then take all of Mr Marcos's well-honed political instincts and acumen to manage such a *delicate* balance. As it will also take considerable energy, of which he has diminishing quantities, there is now a formula for trouble in the Philippines.

FINANCIAL TIMES
Tuesday February 11 1986

Alan Friedman in Palermo reports on high drama at the start of the 'maxi-trial'

Italian state takes on the Mafia

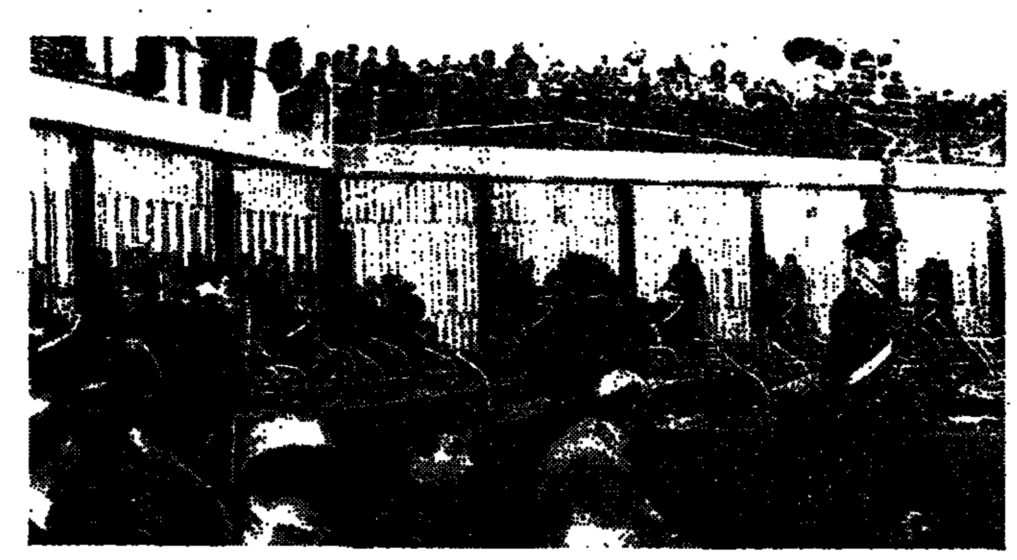
"THIS is the trial of the Mafia organisation known as 'Cosa Nostra,' an extremely dangerous criminal association which, using violence and intimidation, has spread, and continues to spread, death and terror."

That is the first sentence of the 8,607-page indictment against 474 alleged Mafia members who went on trial in Palermo yesterday. The trial, the biggest and most important yet against the Mafia, opened amid high drama in a city all too familiar with the drama of frequent assassinations, the constant wail of police sirens and the sight of Carabinieri with machine guns and bullet-proof waistcoats.

The "maxi-trial," as it is being called in Italy, is more than just a legal procedure against defendants, who are alleged to include five of the 12 members of the Mafia's governing commission and many of the most ferocious killers, heroin traders and even tax collectors with close ties to leading politicians. It is the first serious trial of the Italian state against the Mafia, an organisation which does not accept the right of the state to try it.

The trial, which is expected to last up to 18 months, is being held in a specially built bunker courtroom inside a Palermo prison. The bunker cost more than £20m ($28m) to construct and contains 250 armed guards. Outside, helicopters circle overhead, and 2,000 Carabinieri patrol. The feeling of siege is completed by the large blue armoured vehicles parked beside it.

The indictment, which fills 40 volumes (four of which number 1,000 pages and concern Mafia banking and finance), is dedicated to Judge Rocco Chinnici, the magistrate who began the investigation three years ago and who died when the Mafia bombed his car. It is packed with detail on the multi-billion dollar heroin trade which is the Mafia's main activity, its vertically integrated command structure, international ties and financial side.



The specially constructed and fortified courtroom in Palermo where 474 alleged Mafia members are on trial

The five magistrates who drew it up travelled the world, from Brazil and the United States to Asia and Switzerland in search of evidence. Thus, one can read about current account number 209301 at Credito Svizzero in Lugano, where from 1981 and 1983 Mr Tommaso Spadaro – who is on trial for being a leading Mafioso and heroin trader – is alleged to have received bank transfer payments totalling L900bn ($553m) in dollars and other currencies from American associates. Mr Spadaro, in court yesterday, screamed to journalists from his iron-barred cage that "the money in that account is not mine."

Judge Giovanni Falcone, the leading investigating magistrate who has made "the war" his life's work, says the Credito Svizzero account "is just one account among many which the Swiss supplied us with." Dr Falcone lives an eerie existence: he is constantly escorted by 11 bodyguards in bullet-proof jackets who drive him in a motorcade of three or four police cars.

He and others are stung by legal criticisms levelled against the idea of a mass trial. He reckons that, instead of using violence, the Mafia is responding by hiring the best lawyers and by using its influence with politicians and other officials to discredit and undermine the trial.

"In a city like Palermo, where you can have 300 murders a year, the judicial system is engulfed. This maxi-trial is not our choice: it is a necessity," he comments.

What kind of effect has the trial had on the Mafia? Dr Falcone says it is "not decisive, but important." He says the Mafia is suffering financially. Indeed, one of the star defendants is Mr Pippo Calo, the organisation's alleged finance director. But the heroin trade, while damaged, is still estimated to be worth around $10bn a year to the Mafia.

Meanwhile, more than 100 of the 474 alleged Mafiosi on trial are still at large. On the eve of the trial, in fact, police found a mountain hideout near Palermo with guns, ammunition and the word "ciao" inscribed on a piece of wood.

Mr Michele Greco, the alleged "boss of bosses," is still at large and being tried *in absentia*. But it is worth noting that, as recently as the spring of 1982, Mr Greco was not even listed by the authorities as a Mafioso. Instead, he was seen walking freely up and down the halls of the Sicilian parliament, lobbying, power-broking and helping to write legislation. Now he is on the run.

One disturbing aspect not addressed in the trial is the manner in which a number of politicians from the Christian Democrat and other parties are said to have worked hand-in-glove with the Mafia.

It is widely assumed, but rarely stated in public, that the murder in 1982 of General Carlo Alberto Dalla Chiesa, the special anti-Mafia high commissioner, could not have been carried out without the tacit consent of senior politicians in Sicily. Anti-Mafia magistrates and politicians say in private that certain members of the Rome Government receive electoral support from Sicilian politicians tied to the organisation.

Plans are already under way, though, for a second "maxi-trial" of at least 305 more alleged Mafia members, and this second trial is supposed to touch on the issue known in Italy as the "third level" – a reference to politicians who are linked to the Mafia.

Mr Leoluca Orlando, the determined anti-Mafia mayor of Palermo who takes personal risks by cutting off city contractors who are believed to be Mafia-linked, says the trial which opened yesterday "should be viewed as one trial and not the trial."

Thus, the importance of the maxi-trial is relative. In its size, scope and detail it is without precedent. The very fact that it is being held in Palermo, the home of the Mafia, is a statement, and the stature of the defendants is genuine. But if the anti-Mafia campaign in Italy is to be serious in future, the next trial must tackle the explosive issue of the Mafia and Italian politicians.

THE LEX COLUMN

Turncoats at a premium

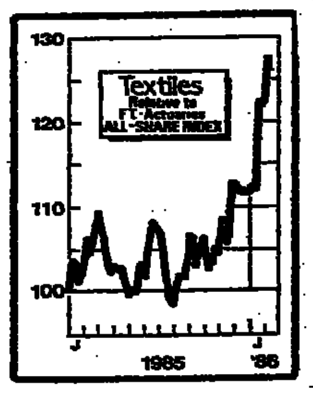
To agree one merger and jump into another is not without precedent in the UK – the Comet electrical chain flightly changed its mind overnight a couple of years back – but it is certainly out of the ordinary. Only a fortnight ago, Coats Patons' agreement with Dawson International seemed such a cosy affair that nothing short of a monopolies reference seemed likely to scupper it; synergy and Scottishness alike were supposed to recommend the match. Now the merits of a marginally higher price from Vantona, and the broader product diversity offered by the new suitor, have led the Coats board to elope.

The market looked indulgently on this change of heart; Vantona's share price stood up far better yesterday to the underwriting of a higher bid than Dawson's had under the strain of the original merger. Since it could back its request with news of good results for the year to last November, Vantona was in a strong position. Its previous merger with Nottingham Manufacturing has indeed served its turn by providing a springboard to this much larger deal; merger-accounted profits before tax are up to £52m, and the balance sheet looks the better for NMC's cash.

The immediate gains for Vantona are not so much greater than for Dawson; each can use Coats' backlog of advance corporation tax, to the tune of £8m or so in the first year. For Vantona that is almost enough to remove the earnings dilution that it has taken on. Thereafter, the wider spread of businesses and the way that Vantona provides a natural currency hedge for Coats will make the whole structure more stable than either of its parts – and probably stronger than the proposed Coats-Dawson grouping. Whether these advantages justify paying over 12½ times earnings for Coats is less clear; but since Coats is unlikely to turn again, Vantona has probably got itself a deal.

Ericsson

Ericsson forecast late last year that its 1985 results would be horrible, and horrible they are. Profits before tax and allocations have dropped from SKr 1.76bn to SKr 865m and would have been lower still but for exceptional gains of SKr 330m. The UK electronics industry is at least in good company.



The Swedish group has advanced the publication of its results in an effort to persuade the market that, after two years of consistent disappointment, the worst is finally behind it. Ericsson is aiming for break-even – before interest and development costs – in both its US operations and its information systems division this year. Each lost over SKr 500m at the operating level in 1985, a result which points the finger of blame fairly and squarely at US information systems. With new management in place and a savage rationalisation programme under way, those break-even targets look just about attainable.

The priority, however, must be to stem the cash outflow which has drained around SKr 5bn from the group over the past three years. Ericsson is hoping for a cash neutral performance in 1988 and has backed its optimism with a maintained, if slimly covered, dividend for 1985. After four years of dramatic underperformance, the Stockholm market is at last giving Ericsson the benefit of the doubt. The share price has jumped 15 per cent in the past week and, at SKr 261, trades on 20 times historic earnings.

Burton/Habitat

It is not unusual for victors to fall to fighting among themselves; and the peculiar structure of the bid for Debenhams – a purely tactical alliance – always had the potential for a Berlin-style crisis no sooner had the common enemy been humbled.

Sir Terence Conran may have added a certain tone to the allied effort but his hands were left free when the untimely entry of House of Fraser was forcing Burton to deploy all its resources just to win the day. His various aggressive acts in other theatres, ranging from the merger with BHS to certain wounding remarks about Burton in last week's *Drapers Record*, have merely strengthened his position.

It now appears that the protocols between Burton and Habitat-Mothercare have about as much substance as a pencil drawing of a Galleria. The only apparently binding agreement, which covers the Habitat option over 20 per cent of Debenhams equity by next December, may have been ruled out by the BHS merger. But it is hard to see Habitat actually wanting to hand over some £100m to help a competitor fund its capital expenditure. More probably, Habitat is only keeping the issue alive for the leverage needed to prise out some fairly selective use of the *footage* option.

Burton may not lose much sleep about a promise to Debenhams' shareholders in which Habitat very *much* figured; but *it cannot* start committing space to Habitat before it knows what Storehouse is going to offer. But then it cannot afford to allow a long-drawn-out tussle over the options or design consultancy to provide Storehouse with leisure to close a strategic gap.

Investment banks

Wall Street investment banks know a good thing when they see one, and it is surely no coincidence that so many of them are queuing up to go public. Morgan Stanley, Bear Stearns and L. F. Rothschild head the list of private firms seeking outside capital. It may be that these organisations have calculated that a broader capital base will be necessary to ensure competitiveness. If so, Mercury *et al* should mind their eye.

A simpler explanation may be that the top of a bull market is as good a time as any to cash in chips. Investment banks used to be valued at close to book value; the best can now obtain almost twice book for their equity. Mercantile House is receiving a handsome price for the bulk of its investment in Oppenheimer and now J. Rothschild is adding roughly 13p a share to net asset value by reducing its holding in L. F. Rothschild. If so many shrewd market operators deem it the right time to sell, the market might ask itself whether this is the appropriate moment to buy.

DAWSON INTERNATIONAL OFFER OVERTAKEN BY NEW MERGER PLAN

Coats agrees $1bn bid from Vantona

BY ANTHONY MORETON, TEXTILES CORRESPONDENT, IN LONDON

COATS PATONS, the Scottish-based manufacturer of threads and clothing which last week agreed to a takeover bid from Dawson International, yesterday changed its mind and agreed to a rival £734m ($1.03bn) offer from Vantona Viyella.

The bid, if it goes through, will create one of the largest fibres-to-clothes concerns in the world, capitalised at £1.2bn and with annual sales of £1.69bn.

Mr James McAdam, Coats' managing director, said that, although "the Dawson deal was very strong, especially on brand names, the merger with Vantona Viyella was even better."

Mr Ronald Miller, chairman of Dawson, said: "It is astonishing Coats should change its mind so suddenly. I could not have done it."

He would not be drawn on whether Dawson would make a counterbid, though the company has been buying shares in Coats steadily and now has a 2 per cent holding.

Mr David Alliance, managing director of Vantona, said Coats Viyella, as the new company will be known, "would be one of the largest and most balanced textile companies in the world, employing some 75,000 people and having a wide spread of products."

Vantona is offering a paper deal under which it will exchange 10 of its ordinary shares for every 17 in Coats Patons. It already owns 10m shares or about 3.6 per cent of Coats' capital.

The offer values Coats shares at 257.6p compared with Dawson's offer of 239p. On the basis of last night's prices, Vantona's paper offer is being underwritten by a cash alternative of 238.24p a share. Last night, Vantona closed at 438p, down 12p, and Coats Patons at 247p, up 9p. Dawson rose 10p to 218p.

Preliminary results for Vantona for the year to November, also announced yesterday, show profit up £9.6m to £52.1m on turnover £68m higher at £675m. A final dividend of 8p is being paid compared with the 7.5p forecast at the time of the group's merger with Nottingham Manufacturing last June.

Sir James Spooner, chairman of Vantona, is to become non-executive chairman of Coats Viyella, with Mr Alliance deputy chairman and chief executive. Mr McAdam will be deputy chairman and deputy chief executive.

Five other executive directors will be appointed from each company. One from Coats will be Mr Michael Bell.

The chief casualty of the merger is Mr Harry Djanogly, deputy chairman and managing director of Vantona since the Nottingham Manufacturing merger, who will become a non-executive director.

The creation of Coats Viyella would consumate Mr Alliance's long-held desire for another British company to rival Courtaulds and play a leading role in the world textiles industry.

Vantona's overwhelming strength is supplying clothes, carpets and household textiles to the UK market. Coats gives it a world market, since the Scottish company is a major force in at least 30 countries.

Falling oil to fuel German growth

By Rupert Cornwell in Bonn

WEST GERMAN industrialists, bankers and economic analysts are now busy working out the blessings of the current fall in oil prices, which should enhance what already promises to be a vintage year for the country's economy.

Mr Hans Karl Schneider, chairman of the Government's independent five-man council of economic advisers, says a drop in the price of oil to $15 a barrel – a prospect now openly held out by Sheikh Yamani, the Saudi Arabian Oil Minister – could add at least 0.5 per cent to gross national product (GNP) in 1986.

The "five wise men" have hitherto been anticipating growth of some 3 per cent, a forecast that is at the conservative end of most estimates. Other experts, including the Bundesbank, estimate expansion might already be on course to reach 4 per cent, a fortifying thought for Chancellor Helmut Kohl as he prepares for the federal election early next year.

Mr Schneider also suggested in a radio interview that inflation, currently running at around 1.5 per cent, the lowest level in 17 years, might decline further to barely 1 per cent.

The drop in the oil price, which stands at about $17 or $18 a barrel on the spot market at present, has already had an impact at the petrol pumps in Germany. Motorists who have long enjoyed one of the lowest pump prices in Europe are now paying DM 1.19 (49 cents) or less a litre of super grade. Cases have been reported of ordinary grade petrol selling for as little as DM 1 a litre.

Mr Thomas Wegscheider, head of the union-owned Bank für Gemeinwirtschaft (BfG), said last week that such prices would save every West German driver DM 200 annually. A 20 per cent fall in the oil price, he added, would boost private consumption by up to DM 10bn – a figure roughly equal to the round of tax cuts which the Government is bringing in this year.

The benefits could even spill over into unemployment, which at 2.6m now represents the biggest blot on the economic record of Mr Kohl's centre-right coalition. Mr Schneider said that the lower oil price, "an economic programme for us financed by the Opec countries," could help create 400,000 new jobs in 1986 in West Germany.

Further, if somewhat deceptive, evidence of the steady improvement in the economy came yesterday with news that West Germany's balance of payments showed a 1985 surplus of DM 1.8bn, compared with a deficit the previous year of DM 3.1bn.

The payments surplus, built on the foundation of record trade and current surpluses of DM 73bn and DM 38.6bn, was kept within respectable proportions only by a substantial increase in capital outflows,

US plea to Philippines

Continued from Page 1

ble" to the Filipino people. Even if Mr Reagan were to conclude that the vote had been credible, which he may well not, Congress is going to be extremely unwilling to approve increased aid in present circumstances.

If, on the other hand, Mrs Aquino emerges as the new President, there is considerable doubt in Washington as to whether she has the political skills needed to unite the country after such a divisive contest.

In the end, Washington may decide that it has to continue to work with Mr Marcos even if he stays in power on a manifestly fraudulent basis. But the Administration would adopt such an approach only with the greatest reluctance. It would not go down well on Capitol Hill, and Washington would clearly be hoping that it would be only a matter of time before Mr Marcos left the scene.

Van Zyl Slabbert avoids last confrontation with Botha

BY ANTHONY ROBINSON IN CAPE TOWN

THE EXPECTED final confrontation in the South African Parliament between President P. W. Botha and Dr Frederik van Zyl Slabbert, former leader of the white Progressive Federal Party (PFP) opposition who resigned on Friday, failed to take place yesterday.

In a clear reference to the bitter disappointment his resignation has caused leading PFP MP's, Dr van Zyl Slabbert said in a letter to the speaker that his presence could have been an embarrassment to members of the House.

President Botha, who had been expected to take the opportunity to rebuff Dr van Zyl Slabbert's accusations that Parliament had been treated with contempt by the Government and was a "cosy club" unrelated to the real issues facing the country, was told beforehand and also failed to appear.

Dr van Zyl Slabbert's resignation has been welcomed by spokesmen for the United Democratic Front, leading anti-apartheid activists such as Bishop Desmond Tutu and the African National Congress in Lusaka as a vindication of extra-parliamentary opposition to the tricameral parliamentary system, which excludes the black majority. But it has dismayed many PFP supporters.

Dr van Zyl Slabbert, an Afrikaner, not only raised the status and political attractiveness of the PFP among both Afrikaans and English-speaking voters, but also managed to preserve unity between the left and right wings of his party. His loss could re-open the party's internal divisions and weaken its appeal to the more reformist sections of the business community which have until now provided substantial financial and other support.

National Party politicians have meanwhile been trying to heal the wounds within their own party caused by the public humiliation of Mr Pik Botha, the Foreign Minister, last Friday and the President's public support for Mr E.W. de Klerk's restrictive interpretation of the party's reformist policies. According to party sources, Mr Pik Botha does not intend to resign, and both he and Mr de Klerk sought to minimise their differences at a caucus meeting of Mr de Klerk's Transvaal Party over the weekend.

The "verligte," or liberal, wing of the National Party is still upset at the restrictive interpretation of the Government's advertised reformist intentions but plans to continue to work within the party for changes to key aspects of apartheid legislation.

South Africa violence, Page 4

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	Sn	-1	30	Dubrovnik	F	8	46	Malta	—	—	—	Rhodes	F	15	59
Algiers	—	—	—	Edinburgh	C	0	32	Manchester	S	-2	28	Rio de J'o	S	39	102
Amsterdam	S	-1	30	Faro	—	—	—	Manila	S	29	84	Rome	Sn	1	34
Athens	S	15	59	Florence	C	0	32	Melbourne	C	20	68	Salzburg	Sn	-9	16
Bahrain	S	19	66	Frankfurt	Sn	-6	21	Mexico City	S	25	77	San Francisco	F	19	66
Bangkok	S	32	90	Funchal	F	19	66	Miami	C	26	79	Seoul	F	-1	30
Barcelona	—	—	—	Geneva	C	-8	18	Milan	S	-2	28	Singapore	F	30	86
Beirut	—	—	—	Gibraltar	—	—	—	Montreal	C	-4	25	Stockholm	S	-3	27
Belfast	C	4	39	Glasgow	F	3	37	Moscow	F	-8	18	Strasbourg	F	-8	18
Belgrade	C	5	41	Guernsey	S	0	32	Munich	C	-11	12	Sydney	C	23	73
Berlin	C	-2	28	Helsinki	C	-7	19	Nairobi	S	29	84	Taipei	R	15	59
Biarritz	S	0	32	H. Kong	S	17	63	Naples	R	3	37	Tangier	—	—	—
Bombay	—	—	—	Innsbruck	F	-7	19	Nassau	S	29	84	Tel Aviv	S	16	61
Bordeaux	S	-4	25	Inverness	F	3	37	New Delhi	C	15	59	Tenerife	—	—	—
Brussels	C	-2	28	Islamabad	R	12	54	New York	Sn	2	36	Tokyo	S	7	45
Budapest	C	4	39	Istanbul	F	10	50	Nice	S	2	36	Toronto	C	-1	30
B. Aires	C	32	90	Jakarta	R	30	86	Nicosia	R	17	63	Tunis	—	—	—
Cairo	C	20	68	Jersey	S	-1	30	Oporto	—	—	—	Valencia	—	—	—
Cape Town	C	24	75	Jo'burg	F	24	75	Oslo	S	-6	21	Venice	Sn	1	34
Caracas	C	26	79	Lima	S	27	81	Paris	Sn	-2	28	Vienna	Sn	-9	16
Casablanca	—	—	—	Lisbon	S	8	46	Peking	S	5	41	Warsaw	S	-5	23
Chicago	C	-8	18	London	S	0	32	Prague	Sn	-7	19	Washington	C	2	36
Cologne	C	-2	28	Los Angeles	C	-5	23	Reykjavik	R	5	41	Zurich	S	-12	10
Copenhagen	C	-4	25	Luxembourg	C	-5	23								
Corfu	R	12	54	Madrid	F	9	48								
Dallas	D	-2	28	Majorca	—	—	—								
Dublin	C	3	37	Malaga	—	—	—								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair H–Hail Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Paris currencies proposals

Continued from Page 1

announced shifts in economic policy to intervention in the currency markets.

After a gradual process, Mr Lebegue believes that it would be desirable to institutionalise the system. Without this, he says, it would be "impossible to bring sufficient pressure to bear when awkward domestic economic policy decisions have to be made."

But he recognises that such developments would mean national monetary authorities giving up some of the autonomy they enjoy – "or think they enjoy."

The French Government was one of those to welcome President Reagan's change of tack in his State of the Union message when he asked the US Treasury to explore the idea of an international conference on "the role and relationship of our currencies."

The French believe that both Japanese and British attitudes towards encouraging exchange rate stability are becoming more favourable. They recognise, however, that the Germans remain opposed because of the difficulties of controlling the flow of international capital movements.

The French believe that reforms of the international monetary system should be discussed within the IMF – thus involving the developing countries. They are against the proposal made by Mr James Baker, the US Treasury Secretary, in April last year for a special conference of industrialised nations.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday February 11 1986

Daimler-Benz plans sale in AEG bid move

BY JOHN DAVIES IN FRANKFURT

DAIMLER-BENZ, the West German motor vehicle group, is planning to sell its stake in Metallgesellschaft, the mining, metals and trading concern, to fulfil a Cartel Office condition for approving its proposed takeover of the AEG electrical company.

Daimler-Benz has an indirect stake of almost 8 per cent in Metallgesellschaft. Along with three equal partners, it has a 25 per cent stake in a holding company which in turn owns 35 per cent of Metallgesellschaft.

It has become clear during the last few weeks that the Cartel Office sees the stake as one of several obstacles to its approval of the AEG takeover.

The Cartel Office has been considering how the takeover might add to the market power of Daimler-Benz and AEG, and it wants to maintain competition in various lines of business involved.

Cartel officials are understood, for instance, to want Daimler-AEG's relationship with Siemens, the country's biggest electrical group, to emphasise competition rather than co-operation. Siemens, however, is one of Daimler-Benz's partners in the holding company owning a Metallgesellschaft stake.

In addition, Metallgesellschaft owns a majority of Kolbenschmidt, the motor-vehicle components maker, which is an important supplier to Daimler-Benz.

Prof Werner Breitschwerdt, Daimler's chief executive, has already indicated that the company would go along with the Cartel Office's demands "if they did not hurt too much."

Daimler's holding company partners, including Deutsche Bank and the Allianz insurance group as well as Siemens, will have first opportunity to buy the Metallgesellschaft stake.

Cartel Office concern is also believed to focus on certain aspects of AEG, including its 25 per cent stake in Transformatoren-Union (TU), the loss-making electrical transformer marker. Siemens owns the remaining 75 per cent.

Solving the TU problem to the Cartel Office's satisfaction could take time, but the AEG takeover could get the go-ahead if the Cartel Office was assured that its conditions would be met within a specified time.

Daimler-Benz gained a 24.9 per cent stake in AEG through a capital increase for the purpose.

Volvo again extends deadline on takeover offer for Cardo

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

VOLVO yesterday extended its SKr 3.3bn ($438m) takeover bid for Cardo, the Swedish investment and industrial holding company, for another week. However, it gave a warning that it would withdraw its bid if it failed to attract at least 90 per cent of the Cardo equity.

Volvo has already extended its bid once and has been forced to improve the terms of the offer after mounting local resistance from small shareholders in the northern Swedish province of Skane, where Cardo is located.

The Cardo board reversed its initial acceptance of the Volvo bid and recommended to shareholders in early January that they reject the offer.

The bid was due to expire last Friday, but it appears that Volvo was still some way short of reaching the threshold of 90 per cent, at which it can obtain the compulsory purchase of outstanding shares.

Volvo also stepped up the pressure on recalcitrant Cardo shareholders by stating that there would be no further changes to the terms of the offer.

When it first placed the bid last November, Volvo already owned 22.9 per cent of the Cardo equity. It is planning to combine Cardo's industrial operations – the Swedish Sugar Company, Hilleshog, the seeds and plant-breeding company, and Weibulls, the seeds company – with its existing Provendor food division. The Cardo equity portfolio is being offered back to existing Cardo shareholders in the form of a new investment company.

As part of the offer Volvo is also bidding SKr 205m for the 17.1 per cent of the Hilleshog equity not already owned by Cardo. Volvo said yesterday that it had already secured more than 90 per cent of Hilleshog, including the Cardo holding, but that the offer would also be withdrawn if the Cardo bid failed.

Amax Europe director resigns after shake-up

BY STEFAN WAGSTYL IN LONDON

MRS ERIKA TORDJMAN, a close associate of Mr Pierre Gousseland, non-executive chairman of Amax, the struggling US mining and metals group, has resigned.

Her resignation as president-director of Paris-based Amax Europe and Climax Molybdenum follows the recent reorganisation of Amax's metals business, which involves the centralisation of responsibilities at Amax headquarters at Greenwich, Connecticut, and the dissolution of Amax Europe and of Climax.

The reorganisation is part of a drastic overhaul of the group being carried out under the direction of Mr Allen Born, recently elected chief executive officer, who took executive control from Mr Gousseland late last year.

Amax last week announced a net loss of $105m for the fourth quarter of 1985, making $621m for the year, against $238.3m in 1984. In both years there were heavy provisions for write-downs on properties and investments.

The company yesterday declined to comment on the size of any compensation that might be paid to Mrs Tordjman, who joined the company in 1963.

Kansallis group up 45%

BY OUR FINANCIAL STAFF

KANSALLIS Banking Group, parent of Finland's second largest bank, Kansallis-Osake-Pankki, increased consolidated net profits 45 per cent last year to FM 269m ($49.7m).

Kansallis-Osake-Pankki itself posted a net profit for 1985 of FM 235m, up 29 per cent from 1984, and lifted total assets 20 per cent to FM 67.4bn. Group total assets were also up sharply at FM 81.3bn.

Much of the bank's profits came from foreign-exchange dealing, which earned FM 86.8m. Income from trust services and security business also increased.

Kansallis's increased profits came after a year that saw expansion into international markets.

CIR profits ahead 153% at year-end

By James Buxton in Rome

CIR, one of the two industrial and financial holding companies controlled by Mr Carlo de Benedetti, also chairman of Olivetti, last year enjoyed a rise in profits of 153 per cent.

Net profits rose from L15.08bn ($9m) in 1984 to L38.17bn. The value of CIR's holdings rose from L272bn at the end of 1984 to L520bn at the end of last year.

CIR's results reflected improved dividends from the companies it controls and expansion of CIR in 1985.

In a year of frenetic activity against the background of a booming Milan Stock Exchange, Mr de Benedetti in 1985 made substantial additions to CIR's portfolio, which already included a number of manufacturing companies and a 13.7 per cent stake in Olivetti.

The most important acquisition by CIR last year was that of control of Buitoni, the food manufacturer. CIR also established or increased stakes in other leading Italian companies and in banking institutions, along with acquisitions by Cofide, Mr de Benedetti's other holding company.

CIR's net debt rose last year from L1.76bn to L69.2bn. But the company emphasised yesterday that that was temporary and caused by the need to contribute to a L300bn capital increase in CIR's subsidiary, Sabaudia, at the end of last year.

The debt will be wiped out by two operations launched last month to increase CIR's capital by a total of L297bn. Nominal capital will also go up from L135.9bn to L204.2bn.

CIR said consolidated results for the group were not yet available but would show a big improvement on 1984 results.

CIR will pay an increased dividend of L120 per ordinary share compared with L85 in 1984.

Ericsson earnings fall by 45%

By Kevin Done in Stockholm

ERICSSON, the Swedish telecommunications and electronics group, suffered a steep drop of 45 per cent in group profits last year, with heavy losses in its information systems division and its US operations.

Profits before tax and allocations fell to SKr 865m ($114m) from SKr 1.569bn in 1984 and SKr 1.758bn in 1983.

The decline would have been steeper if earnings had not been bolstered by extraordinary gains of SKr 330m from sales of shares and property. Before extraordinary items, profits plunged by 65 per cent.

Ericsson said yesterday that it was still planning to pay an unchanged dividend for 1985 of SKr 9 a share. Earnings per share fell to SKr 13, compared with SKr 20 in 1984.

The biggest losses last year were incurred up in the troubled information systems business area where the operating deficit was estimated to be well in excess of SKr 500m, compared with losses of SKr 217m reported for 1984.

More detailed financial information will be released on March 13.

Profits also declined last year in the public telecommunications division, traditionally the backbone of the Ericsson group, which suffered from the loss of analogue transmission equipment orders in the US as well as from the heavy burden of investment costs for modifying the AXE digital switching system for the US and UK markets.

Ericsson said that the cables, radio communications and network engineering and construction business areas had all shown "considerable increases in income."

Group sales rose by 10.3 per cent to SKr 32.4bn from SKr 29.3bn in 1984.

The group incurred heavy costs during 1985 in its information systems business area because of the need to rectify substantial faults in both its banking terminal and its MD110 PABX (private branch exchange) systems.

Ericsson also failed in its attempt to break into the US market for personal computers and had to cut back drastically its US information systems operations during 1985. Production of personal computers in Sweden was stopped last June and has not been restarted.

Mr Mats Dellham, vice president for corporate relations, said yesterday that the information systems division had "got rid of a lot of costs" during 1985, however, and expected to break even at an operating level in 1986.

Lex, Page 24

Perrier increases earnings

By David Marsh in Paris

SOURCE PERRIER, the leading French mineral water group, boosted net profits to FFr 241.3m ($32.8m) in the year to September 30 from FFr 195.5m in the previous year.

The results include combining into the consolidated group of Sellier-Leblanc, the mineral water and fruit drinks group brought under Perrier control at the end of 1984. As part of a diversification policy, the company took a small stake last month in the French Canal-Plus pay-TV channel.

The company is proposing a dividend of FFr 13.50 a share (FFr 20.25 with tax credit), up from FFr 12 a share (FFr 18 with tax credit) distributed in 1983–84.

Parent-company net profits showed a sharp drop, falling to FFr 95.5m from FFr 135.3m, with the drinks business hit by bad weather last year.

The company also proposes changing its business year to the calendar year to simplify consolidation of subsidiaries' results.

Dumez earnings at FFr 380m

BY DAVID MARSH IN PARIS

DUMEZ, the big French construction group, said its net profits last year were little changed from the 1984 figure at around FFr 380m ($51.7m).

Dumez, a member of the Channel Tunnel Group/France Manche consortium, which will build the fixed link across the Channel, said its turnover last year was FFr 8.7bn. That was down from FFr 9.04bn in 1984 and FFr 11.9bn in 1983.

● Bouygues, the leading French building group, has taken a stake in the tourism subsidiary of the state-controlled Havas media and advertising conglomerate. Bouygues and the hotel group Accor are each taking a 16.67 per cent stake in Havas Tourisme by subscribing to a capital increase raising Havas Tourisme's nominal equity from FFr 28.2m to FFr 39.5m.

Havas Tourisme is France's largest travel agency chain with a turnover of FFr 2.35bn last year. The move marks a further step in Bouygues' efforts to diversify away from its mainstream construction business.

It recently enlarged its activities in a range of areas including water distribution, batteries and private television, and last year failed in a bid to take over the French nuclear power-plant manufacturer, Framatome.

Western Union to take $300m special charge

BY PAUL TAYLOR IN NEW YORK

WESTERN UNION, the troubled, 135-year-old US telecommunications group, plans to take a special $300m fourth-quarter charge as part of a "comprehensive financial restructuring" aimed at putting it back on a sound financial footing.

The New Jersey-based group, which has been struggling for more than two years to cut costs and reorganise its business while negotiating a series of debt extensions with its bank lenders, said the charge primarily covered the write-down of older-generation switching and transmission equipment.

The charge appears to represent a further attempt at balance-sheet "house-cleaning" by Western Union. Like other traditional telecommunications companies, it has been forced to write down older equipment serving telex and other traditional telecommunications services while pushing into new businesses such as electronic mail and computer data packet-switching networks.

Western Union said yesterday it had retained Drexel Burnham Lambert to help to work out a wide-ranging financial restructuring plan. Apart from the equipment writedown, the company said the plan was likely to include the sale of some of its non-core businesses, together with the long-term extension of Western Union's bank debt, which is now under discussion with the group's bank lenders.

Mr Robert Leventhal, Western Union's chairman and chief executive, who was instrumental in negotiating a new wage contract after a 10-day strike by 6,500 workers last year, said the company hoped to be in a position to announce additional actions in the near future to help to provide the financial stability for the company to continue work on operational improvements.

After taking the fourth-quarter charge – and subject to an end-of-year audit now under way – the group said it expected to report a net loss of about $370m for 1985. In 1984, the group reported an operating loss of $63.3m and a final net loss of $58.4m after an extraordinary tax credit of $4.9m.

Western Union reported an operating loss of $42.98m in the fourth quarter of 1984 and a final net loss of $62.24m after a $19.3m extraordinary charge. Western Union, which has invested heavily in its Easylink electronic mail service, hoping that revenue gains from electronic mail will offset declining telex business, has been badly affected by higher local telephone charges in the wake of the Bell system break-up at the start of 1984, and by the switch away from telex to computer-to-computer communications.

Mr Leventhal said: "Escalating costs for leased telephone company facilities used to provide Western Union's telex and private wire services, coupled with reduced customer usage of these services, have contributed heavily to the company's operating loss during 1985. To lower our operating costs, we are accelerating our programme to consolidate our services on our new packet-switching network, which should result in improved service to our customers."

Commodore loses $53.2m at midway

BY PAUL TAYLOR IN NEW YORK

COMMODORE INTERNATIONAL, the once high-flying home computer manufacturer, yesterday reported a $53.2m second-quarter loss, mainly reflecting the impact of $51m in restructuring and other charges.

The loss, the fourth consecutive quarterly deficit for the beleaguered computer maker, comes at a critical time for the company which is involved in extended debt negotiations with its bank lenders.

Commodore had foreshadowed the loss last month when it announced the closure of two plants, including one in Corby, England, in an attempt to reduce costs. The latest loss compares with a $3.2m, or 10 cents a share, profit in the year-ago period on sales which held steady at $339.2m.

The October-December quarter loss pushed Commodore International's net loss in its first half to $92.4m against a $30.9m, or $1 a share profit, in the year-ago period. Sales fell by 14.5 per cent to $498.4m from $582.9m.

Mr Irving Gould, Commodore's chairman and chief executive, said that the group earned $1.05m in pre-tax profits during the latest quarter before restructuring charges and special adjustments. Mr Gould repeated that the company was working closely with its bankers and expected to reach a satisfactory new lending agreement in the near future. He added that Commodore had retained an unidentified investment bank to aid it with a planned financial restructuring.

Mr Gould said management had taken "a number of positive steps" to reduce costs, improve the company's competitive stance and better position Commodore for an earnings recovery this year. Commodore said it took a $22m restructuring charge associated with the closure of assembly plant operations in England and a semiconductor plant in California and special adjustments of $29m against certain inventory and other assets.

Occidental tax gain lifts profits

By Terry Dodsworth in New York

OCCIDENTAL Petroleum, the Los Angeles-based oil group, reported a 22 per cent gain in net profits last year after a $241m extraordinary gain from federal income-tax benefits on capital losses carried forward.

Net earnings amounted to $696m, or $4.49 a share, against $568.7m, or $3.05, in 1984, while sales fell to $14.5bn from $15.6bn.

Fourth-quarter net income fell to $52.7m, or 27 cents a share, from $184m, or $1.16, despite an extraordinary gain of $19m, while sales fell to $3.78bn from $4.01bn.

Apart from the tax gain, the 1985 results also included $479m of net gains from the sale of various foreign and domestic oil and gas interests, compared with profits of $314m on similar disposals in the previous year.

The results describe considerable changes last year in Occidental's complex overseas activities, but the group says its difficulties in Peru, where its contract was unilaterally rescinded last August, are on the way to being resolved after the signing of a new preliminary agreement in late December.

● Schlumberger, the big US oilfield services group, plunged to a net loss of $372.7m, or $1.25 a share, in the fourth quarter of 1985, after previously announced charges against the struggling Fairchild Semiconductor operation, Our Financial Staff writes.

The fourth-quarter charge was $486m, consisting of the writeoff of $250m of goodwill, a provision of $106m for disposal of certain assets, and $81m for the consolidation of production facilities. Schlumberger had a net profit of $311.1m, or $1.08 a share, in the quarter.

Net profits for 1985 as a whole emerged at $351m, or $1.17 a share, after charges of $511m, down from $1.18bn, or $4.10 a share, in 1984.

INTL. COMPANIES & FINANCE

Swiss Volksbank plans second rights issue to raise SFr 176m

BY JOHN WICKS IN BERNE

SWISS Volksbank, of Berne, is to raise SFr 176.85m ($87.12m) by a rights issue. That follows the placement last month of 60,000 ordinary shares on the Euromarket to increase the bank's capital resources by a total of SFr 332m since the beginning of the year.

The new transaction involves a one-for-10 issue of 103,000 ordinary shares at SFr 1,450 each and 190,000 participation certificates at SFr 145 each. Subscription will be open from February 17 to 26.

Last week, the bank announced a proposed increase in its dividend from SFr 60 to SFr 70 a share and from SFr 6 to SFr 7 for participation certificates. That followed a 34.8 per cent improvement in net earnings to a record SFr 101.1m.

Mr Walter Ruegg, management chairman said in Berne yesterday that the growth of the balance sheet by 13.9 per cent to SFr 25.6bn in 1985 was due partly to the opening of the London branch.

It took over the unconsolidated activities of the former Luxembourg subsidiary and was largely responsible for a 22.2 per cent rise in the due-from-banks total to SFr 3.27bn.

The growth of the foreign share of total balance-sheet assets from 18.5 to 22.2 per cent was also largely the result of the inauguration of the London operation.

● Spain's Banco de Santander and Banco Exterior have announced increased pre-tax profits for 1985, in keeping with the trend established by the banking sector, writes Tom Burns in Madrid.

Banco de Santander, ranked sixth among the country's seven leading private banks, recorded a profit of Pta 18.4bn ($121m), a 19 per cent increase on its pre-tax profit the previous year. The bank will be paying a dividend of Pta 75 a share, Pta 9 more than a year earlier.

Growth was more modest at Banco Exterior, where its chairman, Mr Miguel Boyer, the former Economy Minister, announced profits of Pta 5.9bn – a 16 per cent increase over 1984 results. A year ago, Banco Exterior, which is majority state-held and finances Spanish exports, recorded a similar pre-tax profit increase.

Rothschild will yield control of NY firm

By Terry Dodsworth

MR JACOB ROTHSCHILD, the London-based financier, is to give up financial control of L. F. Rothschild, Unterberg, Towbin, the New York investment banking firm, as part of a stock offering that will reduce his stake from 50 per cent to 18 per cent.

The decision to take the company public follows a similar move by Morgan Stanley, another blue-chip investment bank as the private partnerships that have traditionally dominated Wall Street are giving up independence to strengthen their competitive position.

L. F. Rothschild will offer 6m shares at an indicated price of $16 to $19 a share to bring its total number of shares in issue to 16.25m, of which Mr Rothschild will continue to hold 3m.

BASE LENDING RATES

ABN Bank	12½%	■ Hambros Bank	12½%
Allied Dunbar & Co.	12½%	Heritable & Gen. Trust	12½%
Allied Irish Bank	12½%	■ Hill Samuel	†12½%
American Express Bk.	12½%	C. Hoare & Co.	12½%
Amro Bank	12½%	Hongkong & Shanghai	12½%
Henry Ansbacher	12½%	Johnson Matthey Bkrs.	12½%
Associates Cap. Corp.	12½%	Knowsley & Co. Ltd.	13 %
Banco de Bilbao	12½%	Lloyds Bank	12½%
Bank Hapoalim	12½%	Edward Manson & Co.	13½%
Bank Leumi (UK)	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount Credit Corp. Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	13½%
■ Brown Shipley	12½%	PK Finans. Intl. (UK)	13½%
CL Bank Nederland	12½%	Provincial Trust Ltd.	13½%
Canada Permanent	12½%	R. Raphael & Sons	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13 %
Cedar Holdings	13 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Citibank NA	12½%	Standard Chartered	12½%
Citibank Savings	¶12½%	TCB	12½%
City Merchants Bank	12½%	Trustee Savings Bank	12½%
Clydesdale Bank	12½%	United Bank of Kuwait	12½%
C. E. Coates & Co. Ltd.	13 %	United Mizrahi Bank	12½%
Comm. Bk. N. East	12½%	Westpac Banking Corp.	12½%
Consolidated Credits	12½%	Whiteaway Laidlaw	13 %
Continental Trust Ltd.	12½%	Yorkshire Bank	12½%
Co-operative Bank	*12½%		
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
Financial & Gen. Sec.	12½%		
First Nat. Fin. Corp	13½%		
First Nat. Sec. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptrs.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		

■ Members of the Accepting Houses Committee.

* 7-day deposits 8.70%. 1-month 9.30%. Top Tier—£2,500+ at 3 months notice 12.08%. At call when £10,000+ remains deposited.

† Call deposits £1,000 and over 9% gross.

¶ Mortgage base rate.

§ Demand dep. 8¾%. Mortgage 13%.

INTL. COMPANIES & FINANCE

India's state banks ahead 32.5%

BY JOHN ELLIOTT IN NEW DELHI AND R. C. MURTHY IN BOMBAY

INDIA'S nationalised banks increased their aggregate net profits during 1985 by 32.5 per cent to R1.11bn ($88.5m), according to Mr Vishwanath Pratap Singh, the country's Finance Minister.

He issued this estimate at a meeting with chief executives of 21 public sector banks in New Delhi and said the improvement was the result of the Government and the banks trying to improve efficiency and productivity.

A year ago the heads of three of the banks were socked and Mr Rajiv Gandhi, the Prime Minister, launched an overhaul of the banking system and an attack on corruption. There have been other widespread dismissals since then.

The Central Bureau of Investigation estimates that corruption involving more than R100m was uncovered on January 31 in raids on the homes and offices of 48 bank executives around the country. Large quantities of gold and silver were found during the raids, including 3.5kg of jewellery in one employee's private office safe.

The profit increase from R830m in 1984 for the 21 nationalised banks followed a slight decline from R840m post-tax in 1983. The 21 banks account for 91.5 per cent of India's banking system.

Deposits last year grew by 18.6 per cent to Rs 765bn compared with a 17 per cent increase in 1984. Profits were partially boosted by an increase from 12.5 to 14 per cent in interest rates charged on Rs 50bn of bank funds lent to government-owned food grain procuring agencies under the country's price support programme. There was also a coupon rate increase on 30-year government securities.

The three banks with best results were the country's largest, the Bombay-based State Bank of India, and two south Indian banks—the Canara and the Corporation.

State Bank of Canara expanded their merchant banking activities. Mr I. D. Ratnakar, Canara Bank chairman, said merchant banking had become a 'major profit centre."

Despite the surge, netp rofits as a percentage of working funds is still low. For the State Bank of India, the ratio was 0.101 per cent in 1984.

BANK OF CEYLON, Sri Lanka's premier bank, showed a drop in pre-tax profits to Rs 200m ($7.5m) last year, against Rs 230m, writes Merryn de Silva in Colombo.

Dr L. E. M. Fernando, its chairman, said the bank had to cede non-interest bearing deposits totalling Rs 2.1bn to the central bank on the orders of the Finance Ministry in August.

He added that, following a one percentage point reduction in interest rates in October, the bank had recently appealed to the ministry to exempt reserves with its provincial branches. This would mean that only about Rs 1.7bn would go into non-interest bearing deposits.

"What we dropped in the interest rate four months ago, we had hoped to recover in expanded business but expansion has been slow."

BP in NZ joint gas venture

BY GORDON CRAMB

BRITISH PETROLEUM is to expand its liquid petroleum gas interests in New Zealand with the joint purchase of Rockgas, an LPG wholesaler and retailer, from Fletcher Challenge, the forestry and farming group which is the country's largest company in turnover terms.

BP—which itself ranks as the third biggest company in New Zealand—will own Rockgas equally with New Zealand Industrial Gases (NZIG). In addition, the UK-based company is to increase its holding in Liquigas, a bulk LPG distribution consortium, to 35.25 per cent from the current 18.75 per cent.

This will also come about with the purchase of the stake in Liquigas held by Fletcher, which has been acting over the past six months in particular to refocus on its core businesses. The total valne of the deals announced yesterday was put at NZ$26.5m (US$14m).

BP's New Zealand activities cover the range of energy exploration and production and downstream marketing. It has sizeable minority stakes in the country's two major gas fields, out of which its involvement in the Liquigas consortium arose.

The disposals by Fletcher, which follow the recent sale of two financial services subsidiaries, remain subject to approval by the country's Commerce Commission and Overseas Investment Commission. Fletcher at the same time is considering buying a dominant role in the New Zealand steelmaking industry by taking over the 81.2 per cent holding in NZ Steel recently acquired by the Government.

BP and NZIG, while keeping intact the Rockgas unit, will continue independent service to existing LPG customers.

On the Wellington Stock Exchange, Fletcher shares rose 12 cents yesterday to NZ$3.52. Those in NZIG were steady at NZ$2.62.

Advance at Western Mining

By Kenneth Marston, Mining Editor

AUSTRALIA'S Western Mining Corporation has lifted net earnings in the 28 weeks to December to A$25.2m (US$17.5m or £12.4m) from A$13.8m in the same period of 1984.

Earnings per share were 6.9 cents, and the interim dividend has been doubled to 4 cents.

The company benefited from the fall in the value of the Australian dollar against the US dollar, in which its metal sales are priced. This resulted in a 16 per cent gain in domestic gold prices received and a rise of 11 per cent in the prices of nickel despite a 5 per cent fall in US nickel prices.

Western Mining is not prepared to venture any forecast of second-half results, which, it points out, are dependent on volatile movements in metal prices and the Australian dollar.

Alcan Australia raises net

By Our Financial Staff

ALCAN AUSTRALIA, the local arm of the Canadian aluminium group, achieved a modest advance in net earnings to A$16.18m (US$11.26m) last year, up from A$15.51m.

On a per-share basis, however, profits were nearly halved to 10.7 cents from 20.5 cents, following equity issues during 1985 designed to secure capital through its parent. The dividend is maintained at 6 cents a share.

Turnover rose from A$313.63m to A$345.18m, while non-operating income showed a boost to A$11.36m compared with A$313.63m. The attributable result was held back by rises of A$4.2m in depreciation and A$2.26m in interest

Bophuthatswana casino group lifts forecast

By Our Johannesburg Correspondent

SUN INTERNATIONAL Bophuthatswana (SIB), the casino and entertainment company which operates in the so-called "independent" South African black homeland of Bophuthatswana, expects to improve on the earnings forecast for the current year.

Ahead of last year's sale of shares to the public, SIB's directors had estimated that net earnings for the year to June would match the 26.7 cents a share achieved in the previous year.

First-half turnover increased by 17 per cent to R92.6m ($38.8m) and operating profits increased to R19.8m from R13.5m. The company did not incur a tax liability, and its interim profit attributable to ordinary shareholders rose to R14.9m from R13.2m or 16.3 cents a share against 15.1 cents.

Strong exports boost for Highveld Steel

BY JIM JONES IN JOHANNESBURG

HIGHVELD STEEL and Vanadium, the South African steel and ferro-alloys maker, increased sales to a record R663.1m ($310m) in 1985 from R450.2m in 1984, thanks largely to increased exports.

Exports comprised 58 per cent of turnover last year against 49 per cent in 1984. The pre-tax profit rose to R40.5m from R28.8m.

Mr Leslie Boyd, the chairman, said sales volumes of steel, ferro-alloys and vanadium pentoxide were all substantially higher and export revenues were aided by the rand's weakness. The steel export tonnage increased by 78 per cent despite the fact that the US and Europe, which are Highveld's major export markets, both apply quantitative import restrictions.

Local demand for steel remained steady, but should improve further this year, Mr Boyd said. Nevertheless, sales in South Africa remained affected by the recession.

Earnings per share increased to 58 cents from 38.9 cents and the total dividend has been raised to 24 cents from 17 cents.

Highveld is a subsidiary of Anglo American Industrial Corporation (AMIC), the industrial arm of Anglo American Corporation, South Africa's largest mining house.

● Chubb Holdings, the South African security group which is 72 per cent owned by Racal Electronics of the UK, increased its market share in the 28 weeks ended October 11, 1985, although its physical security division was affected by the down turn in the construction and building industries.

Turnover during the 28 weeks was R37.47m ($17.6m) against R30.07m in the six months ended September 1984. Trading profit before interest and tax was R2.35m against R1.9m and the pre-tax profit was R1.5m against R960,000.

INTERNATIONAL COMPANIES and FINANCE

Alexander Nicoll on a shift in emphasis by a corporate treasurer

Centralising debt pays off for BAT

SINCE Mr Richard Desmond took over two years ago as treasurer of BAT Industries, the UK tobacco, retailing and financial services group, he has managed its debt and currency exposure through an extraordinary sequence of acquisitions and disposals.

BAT's move into financial services through the acquisition of the Eagle Star and Allied Dunbar (formerly Hambro Life) insurance groups, coupled with the reversal of some previous diversification moves, has provided a classic challenge to any debt manager's skills. Further problems have been posed by volatile currency markets, with the dollar's decline damaging BAT's profits when stated in sterling terms.

Since the beginning of Mr Desmond's tenure, BAT has spent £1.7bn on major acquisitions. Total group borrowings doubled to £2.54bn in 1984, pushing up the debt/equity ratio at the end of the year from 37 to 54 per cent. The purchase of *Allied Dunbar* raised the ratio to 64 per cent, though this was subsequently reduced by cash-flow and disposals.

Not only has debt increased; it has been substantially restructured. To facilitate this, management of borrowing was largely shifted away from operating units towards the centre, with three centrally controlled financing subsidiaries. "There was no change in management philosophy," says *Mr Desmond*. "*It is simply that* there are better borrowing opportunities this way."

The result has been marked decreases in the proportions of short-term, bank-lent, floating-rate borrowings, and increases in long-term, publicly traded and fixed-rate debt.

In 1984, the amount of debt due within one year rose only 25 per cent while the total doubled. Much of the financing needs were met by issuing sterling-denominated bonds and notes.

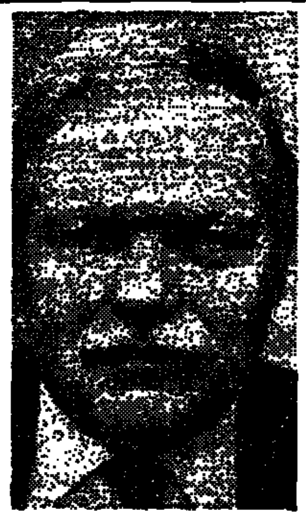
"We have done our part in the UK corporate debt market," says Mr Desmond. He has backed official attempts to stimulate it, and advocates the removal of legal barriers to the creation of a sterling commercial paper market. BAT's *£495m of 12¾* per cent unsecured loan stock due 2003-08 is the largest such issue, accounting for about a quarter of the market. The company has also issued £182m of shorter-term unsecured loan notes and £51m of capital notes.

A further £100m was raised in 1984 with a seven-year 10¼ per cent Eurobond, one of the largest corporate issues in that market. BAT also tapped the Euromarkets in 1984 for a $240m note issuance facility which has never been drawn, but is used to back the issue of US commercial paper to fill the short-term needs of Batus, holding company for its US operations.

MAJOR USES AND SOURCES OF FUNDS

Jan. 1 1984 to May 31 1985

Uses	£m
Eagle Star	968
Allied Dunbar	664
IMASCO	99
Total	1,731
Sources	**£m**
Cash	380
Debt:	
Unsec. loan stock	495
Caiptal Notes	51
Loan notes	182
Eurobond	100
Standby-backed CP	262
Disposals:	
International Stores	180
Cosmetics	185
Mardon packing	170
Total	1,925



Mr Richard Desmond: in search of better borrowing opportunities

A string of disposals—including International Stores and packaging and cosmetics divisions (some US retailing interests are now on the block as well as Grovewood Securities in the UK)—has enabled BAT to repay part of its debt.

The swing away from bank borrowings accelerated in 1985. BAT is, however, conscious of the need to keep its debt marketable and well-known with as many groups of investors as possible, so it would always keep a certain amount of short-term debt outstanding, for example, in the US commercial paper market.

Mr Desmond has resisted the temptation to cut borrowing costs by using swaps, because he says this would reduce the group's flexibility in repaying debt when the opportunity arose. The choice of what debt to sell or to retire is also influenced by the currencies in which assets and cashflows are denominated.

Like many other multinational companies, BAT has two distinct policies on covering currency exposure. Profits made by US subsidiaries which are to stay in the US, without being remitted back to the UK, are not hedged. The company thus has to accept, and explain to shareholders, the effects of a dollar fall on the sterling-demonimated profit and loss account

that this exposure could be neutralised with the use of currency options, but says the premiums are "a lot of money to spend to dress up a figure."

BAT does hedge actual flows of cash. The need to do it for day-to-day transactions between group companies is limited by the fact that there is only a small amount — 10 per cent of group turnover — of cross-border inter-company trading.

In 1985, about £150m flowed into the centre from subsidiaries in the form of dividends, including about $150m. BAT maintains a pool of dollar inflows, and last year sold it forward as well as part of expected 1986 inflows, thus protectisg them from the dollar's fall. "We do not take enormous risks but we do trade our foreign exchange," says Mr Desmond.

IFC plans Third World investment fund

BY ANATOLE KALETSKY

A NEW FUND to channel institutional portfolio investment into the stock markets of Third World countries is to be launched within the next few months by the International Finance Corporation (IFC), the World Bank subsidiary whose role is to promote private sector investment in developing countries.

To be called the Emerging Markets Growth Fund, the new fund will be a closed-end investment trust, established under US law with a capital of $50m. It will buy into a broad spread of growth securities listed in any of the 20 Third World countries with "relatively active" stockmarkets, whose economies represent 14 per cent of world GNP.

Initial investments are likely to be made in Malaysia, Thailand, Indonesia, Mexico and Brazil, among other countries. The IFC is also negotiating with the Indian Government in the hope of obtaining access to the equity market there.

The Fund will be modelled on the successful Korea Fund, which was launched by the IFC about five years ago and was the first vehicle for institutional portfolio investment in the Korean stockmarket. Eventually the hope is to quote the Emerging Markets Growth Fund, like the Korea Fund, on the New York Stock Exchange, and make its shares freely tradeable. However, all the initial shares will be placed privately with a small group of institutions already lined up by the IFC.

The initial investors will include pension funds, banks and insurance companies from the US, Japan, West Germany and the Netherlands. A number of British institutions were approached by the IFC, but declined to take up initial stakes in the fund.

Amsterdam SE accepts Japanese houses

By Laura Raun in Amsterdam

THE AMSTERDAM Stock Exchange has accepted three of the big four Japanese securities houses as full members in an energetic bid to become the leading European centre for trading in Japanese shares priced in yen.

The acceptance of Daiwa, Nomura and Yamaichi plus the introduction of Japanese share trading linked with the Tokyo Stock Exchange clearly is an effort by Amsterdam to get a head start on London. This will be the first foreign trading of Japanese stocks in yen. The London Stock Exchange recently received a membership application from the powerful Nomura and may feel compelled *to hasten approval in light of* the aggressive Amsterdam move.

Baron van Ittersum, the Amsterdam Stock Exchange, *made the announcement* yesterday flanked by Mr M. Shimano of Nomura and Mr A. Ito of Yamaichi. The Japanese trio has chosen a kind of membership that allows floor trading through another broker or bank in order to keep initial investments low.

In July, it is expected that *fungible trading* will begin in 25 Japanese companies which are also listed on the Tokyo Stock Exchange. These stocks can be traded in Amsterdam after the close in Tokyo under an agreement between the two bourses.

The 25 companies have already been traded in Amsterdam under the Continental depositary receipt system, but lack of liquidity has prevented efficient pricing and dividend payments were often delayed. The new system, which involves electronic book entries and no certificates, plus the active promotion of the Japanse houses, is expected to attract the institutional investors needed to give depth to the market. Dividend payments can be made more punctually because of the electronic communications.

Nikko Securities, the other broker in the Japanese big four, was precluded from joining the Amsterdam exchange because it has no existing Dutch presence. Unlike the others, which set up Amsterdam offioes during the 1970s, Nikko serves the Dutch market from its European base in London, adds Gordon Cramb.

Nikko is, however, understood to be reviewing the possibility of opening a Netherlands office, a move which would require the approval of the Japanese Ministry of Finance. It already has branches in West Germany, Switzerland and Luxembourg.

DOMESTIC BOND MARKETS

Tokyo higher on yen's rise

THE JAPANESE domestic bond market closed higher on active speculative buying caused by the yen's sharp advance against the dollar late in the day.

The yield of the bellwether No 78 6.2 per cent 10-year Government bond was 5.625 per cent in late trading against 5.640 per cent on Friday, while the yield of the No 80 6.5 per cent was 5.645 per cent against 5.680 per cent.

One dealer said the No 78 issue was returning to its former benchmark status as it had a lower coupon than the No 80. As interest rates continue to fall, he said, activity in this issue would increase.

Japan's Ministry of Finance is to issue Y500bn through an auction on February 13 of Tankoku, a new short-term debt-financing instrument. The Tankoku will have maturities of six months with payment on February 20. The *result of the auction will be* announced on February 14.

Recovery in Frankfurt

GOVERNMENT bonds recovered in Frankfurt from their early lows to stand little changed at midday. They had opened about ½ point lower but a few cheap buyers, mainly professionals short-covering, *brought prices back up.*

At midday, the West German Government 6¾ per cent bond of January 1995 were quoted at 100.15, up 0.05 from late Friday.

Italian offer undersubscribed

THE MARKET subscribed for only around L2,250bn of the Italian Treasury's latest L5,000bn offer of 10-year certificates (CCTs).

The certificates, carrying a first-year coupon of 14.30 per cent and offered at 99.50 per cent, have an effective annual yield of around 14.60 per cent, up from 14.30 on the previous 10-year issue.

The poor response contrasted with strong interest in the Treasury's latest offer of poly-annual bills (BTPs), which was raised to L2,500bn from an original L2,000bn.

Agencies

Quiet Eurodollar sector shows signs of recovery

BY MAGGIE URRY

THE EURODOLLAR bond market showed signs of recovery yesterday after its fall on Friday afternoon. Yet it was still in a subdued mood, and little activity was seen. Traders pointed out that with holidays in the Far East and on the Continent, this week is likely to see limited investor interest.

Shearson Lehman Brothers tried to tempt investors with a new structure which has proved popular in the US domestic market. The idea gives the borrower, in this case Gannett, the US newspaper group which owns USA Today, cheaper funds initially but gives investors the prospect of a higher yield later.

The $100m issue has a 10-year life but after four years investors can decide whether to exercise a put option to redeem the bonds at par or to hold on to the bonds which will then pay a higher coupon. The first coupon is 8¾ per cent and it rises to 9¼ per cent for the last six years—hence the name "step-up put bonds." The borrower cannot call the bonds.

The initial coupon was seen as rather aggressive for the borrower, which is AA rated though not well known in Europe. With fees of 1½ per cent, the yield for the first four years is around 25 basis points above that on four-year US Treasury bonds. The issue was not trading widely yesterday afternoon, though the lead manager was bidding at a 1½ point discount to the par issue price.

BMW, the West German car manufacturer, launched a A$75m issue with bond warrants. The popularity of the name should offset somewhat aggressive terms. The 10-year host bonds pay a 13½ per cent coupon and are priced at 100½. They are non-callable for five years and then at prices starting at 101½ and declining by ½ point a year to par.

The 75,000 warrants, priced at A$50 each, receive interest at A$6.875 annually for the first five years. After that they can be exercised into a non-callable bond.

Orion Royal Bank led the issue, which is likely to have been connected with a swap giving BMW US dollar funds well below London inter-bank offered rate. The bonds were trading within the 2½ per cent fees, and the warrants were above issue price.

The D-Mark market was quiet yesterday; many dealers were away from their desks enjoying the carnival holiday.

Swiss franc foreign bond prices were around ½ point higher in low turnover.

A number of new deals were launched. Mitsubishi Electric is raising SFr 200m through a five-year private placement with a 5½ per cent coupon and par issue price. Lead manager is UBS.

Credit Suisse launched the expected equity-linked deal for Thomson-Brandt, the French electronics group which follows last week's Eurodollar convertible issue. The SFr 100m 12-year bonds have an indicated yield of 4½ per cent and carry warrants to buy Thomson-CSF shares.

Morgan Guaranty (Switzerland) announced an issue of 200,000 warrants priced in dollars, to buy a Swiss franc fixed-rate bond. The borrower is PKbanken and the warrants were priced at $22.50. They have an 18-month life and there are six exercise dates at quarterly intervals. Five warrants buy one SFr 5,000 bond maturing on March 18 1996 and paying a 5½ per cent coupon.

Amrobank launches CD issue

BY OUR AMSTERDAM CORRESPONDENT

AMSTERDAM - ROTTERDAM Bank (Amrobank) is launching today a Fl 500m issue of three, six and 12-month certificates of deposit, the third CD offering since the Dutch capital markets liberalisation began this year.

The issue price of the CDs, which are denominated in amounts of Fl 2.5m, is based on the discount method under which the accruing interest is paid at maturity. Three and six-month interest rates are currently 5¾ per cent and 12-month rates are 5½ per cent.

Buyers can choose between giro delivery or book entry registry, with giro delivery handled by Euroclear of Brussels. Amrobank will make a market in the CDs.

Algemene Bank Nederland made the first CD offer, a Fl 500m issue, followed by Nederlandse Creditbank with an open-ended CD programme last week. New issues under the liberalised regulations have quickened recently, with several mortgage bank bonds and a Euroguilder note from Heineken.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on February 10

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amax Credit [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Atlan. Richfield [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Campbell Soup [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CEPME [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chevron USA [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coca Cola [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kgdm. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kgdm. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kgdm. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EDF [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eli Lilly [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equit. Ltd. Rlty. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Export Dev. Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Crd. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Crd. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Crd. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. El. Cred. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IADB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IADB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kellogg Co. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kellogg Co. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LTCB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Cr. Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pillsbury Co. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Proct. & G. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pru Realty S. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Qantas Airways [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Queensld. Gvt. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ralston Purina [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saskatchewan [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saskatchewan [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Scandinavia Air [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Statoil [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S. Wales Trsy. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Exp. Cred. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Ex. Cr. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden Kgdm. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden Kgdm. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden Kgdm. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tenneco Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utd. Tech. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Victorian Rep. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

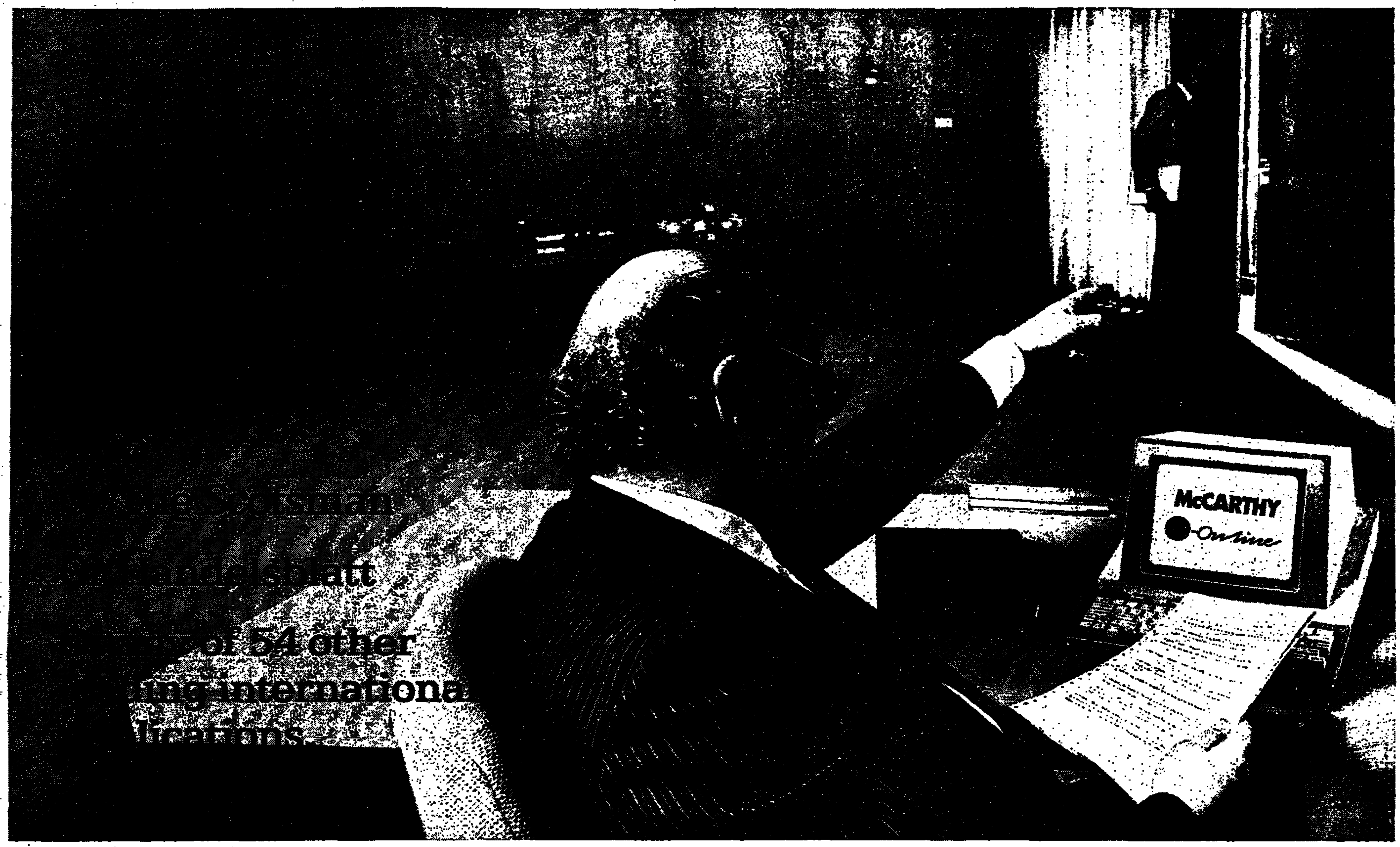
CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.
Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Akroyd and Smithers; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France.

(Securities) London: Daiwa Europe NV; EBC Amro Bank; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; LTCB International; Merrill Lynch; Morgan Stanley International; Nikko Securities Co. (Europe); Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

Damned unfair, really. Expecting you to know what the South China Morning Post said about your competitor's new product last week.



On the other hand, if he did, so could you.

In business and finance, being well informed is usually the difference between being successful and unsuccessful.

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UK COMPANY NEWS

Vantona celebrates merger with £52m profit

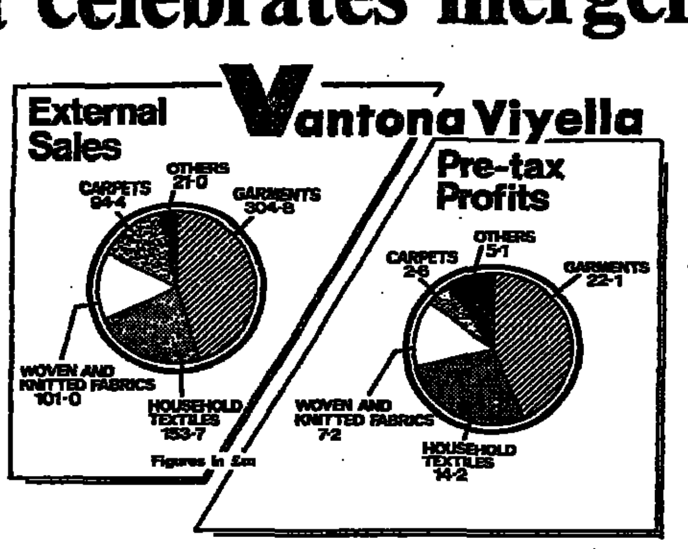
Vantona Viyella's results for the year to November 30 1985, announced yesterday along with the £1.2bn—capitalisation merger merger with Coats Patons, showed taxable profits up from £42.4m to £52.1m—ahead of even the most optimistic City expectations.

Turnover was up from £606.9m to £674.9m, and better operating margins—up to just over 7 per cent from last year's 6.5 per cent—left pre-interest profits at £48.4m against £39.4m. Net interest added £1.8m (£0.3m).

All UK trading areas showed increased turnover and profits, with the largest proportional rise coming from the carpets division. Taxable profits here were doubled to £2.6m, consolidating the recovery this side has made since the disappointing results of last year. Garments, household textiles and fabrics also turned in appreciable improvements in both turnover and profits.

The accounts include the contribution from Nottingham Manufacturing Company, acquired last summer, on a merger accounting basis as if it had been merged for the whole year. Mr David Alliance, Vantona's chief executive, said that the integration of NMC had been achieved smoothly with significant benefits accruing in line with expectations. The enlarged group is promoting the joint use of the leading brand names over a wide spectrum of merchandise.

Only related companies saw their contribution to group profits decline, from £2.7m to £1.9m. This reflected the sale during 1984 of an NMC leasing company, resulting in improvements in interest costs.



Mr Alliance said that relationships with the group's leading customers, of which Marks and Spencer is one, had been strengthened with emphasis on improvements in design input, generation of new ideas in products and marketing, and versatility in production giving rise to increased market share in many areas.

The improved results reflect the success in reducing unit costs as a result of on-going programmes of re-equipment, re-training and re-engineering undertaken during the last two and a half years, said Mr Alliance.

The total dividend is raised by 2p to 12p with a final of 8p (6p) on increased capital. This is covered 3.5 times by earnings per share of 41.9 compared with 30.1p, after a lower tax charge of £7.1m (£10.2m) and minorities unchanged at £1.8m.

Extraordinary charges were slightly higher at £4.6m against £4.1m, relating to costs incurred and provisions made for completion of reorganisation schemes commenced prior to the NMC merger. After the ordinary dividend, which will account for £12.3m against £9.5m, the company transferred £26.2m (£16.7m) to reserves.

The balance sheet shows overall net liquidity improving from £54m to £74.6m, and gross gearing reduced from 13.4 per cent to 4.9 per cent. All UK term and secured borrowings have been eliminated, with the exception of quoted debentures and unsecured loan stocks of Carrington Viyella amounting to £9m.

See Lex

COATS MERGER DETAILS

Under the terms of the agreed offer, Vantona Viyella will exchange ten new ordinary shares of 20p each for every 17 ordinary shares of 25p each in Coats Patons, other than the 10m (3.6 per cent) it already owns. There is a cash alternative of 238.24p per share.

Vantona said yesterday that the terms value each Coats share at 264.71p, representing a 78 per cent rise compared with the price before the announcement of the merger with Dawson International. The deal gives Coats an exit p/e of 12.6 times, said Vantona, and a 77 per cent premium over the value of Coats' net tangible assets at the end of 1984.

Accepting Coats holders will be entitled to receive the 8p final dividend Vantona declared yesterday. Full acceptance of the share offer would result in Coats shareholders owning around 60 per cent of the enlarged group. Compared with the Dawson offer, and based on share prices at the close of business last Friday, Vantona said that the share offer meant a 33.83p increase, and the cash alternative a 12.91p rise.

Habitat seeks to clarify position on Debenhams

BY MARTIN DICKSON

THE DISPUTE between Burton Group and Sir Terence Conran's Habitat-Mothercare about the development of Debenhams, the department store chain, deepened yesterday when Habitat despatched a letter demanding an explanation of Burton's intentions towards it.

This followed weekend press statements by Burton that an agreement giving Habitat an option to take a 20 per cent equity stake in Debenhams was now void. It would also wish to take a fresh look at other agreements under which Habitat could rent up to 20 per cent of Debenhams' floor space and play a major role in redesigning the stores.

The agreements were reached last year when Sir Terence threw his weight behind Burton's hotly contested, but ultimately successful, bid for Debenhams.

However, last autumn Habitat agreed to merge with British Home Stores in a £1.5bn deal that has turned it into a major high street rival of Burton.

Burton says that the deal has made void the equity agreement, which specified that the option could not be exercised if control of Habitat changed hands. Habitat shareholders accounted for 45 per cent of the equity of the new combined group, called Storehouse.

However, Storehouse retorted yesterday that it still regarded the agreement as valid since many shareholders in Storehouse had previously held stakes in both BHS and Habitat, which could be interpreted as giving Habitat more than 50 per cent of the combined equity. Burton says that its legal advisers regard this as a tenuous argument.

Without the leverage of a right to equity, it could be difficult for Sir Terence to insist on space in Debenhams or a design role. These were only covered in a side letter specifying that the agreement was "without the creation of a legally enforceable commitment" on Burton's part.

Mr Ralph Halpern, chairman of Burton, is apparently prepared to negotiate about space, but only when he has been given some clearer idea of Sir Terence's plans for BHS. He is anxious to avoid both BHS and Debenhams putting Habitat goods into adjacent and competing sites, thus saturating the market and reducing Debenhams' potential for margin growth.

He was incensed by an article in a trade publication, quoting Sir Terence as calling on him to "pull his finger out" and quickly allocate Habitat space.

But Mr Terry Goddard, property director of Storehouse and formerly Habitat's company secretary, said yesterday that Sir Terence's note of exasperation followed months of urging Burton to spell out its rental plans.

Storehouse argues that it cannot spell out its intentions towards Debenhams until Mr Halpern gives it an idea of where it is to be allocated space.

Automagic lifts profits

ASSUMING NORMAL retail conditions prevail in the final quarter, the directors of Automagic Holdings are confident of reporting much improved results.

Profit for the interim period has risen to £153,000.

In the interim 26 weeks to April 28 1985 the group's sales have increased from £2.92m to £3.46m, and the directors say this encouraging trend has continued in the third quarter in both service and retail sections. £125,000, before an extraordinary debit of £21,000 this time, and tax of £54,000 (£56,000). Earnings are shown at 1.4p (1.2p) per share and the interim dividend is again 2p net.

Paribas sells Mercury holding

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

Paribas, the French state-owned banking group, has sold its 6.5 per cent stake in Mercury Securities, the UK merchant banking group.

Paribas has held its stake in Mercury since 1974 and had an understanding with the UK group that it would only dispose of its interest after consultation with Mercury.

Mr David Scholey, chairman of Mercury, said yesterday that the French bank had discussed the sale of its interest and that the French bank had discussed the sale of its interest and that the shareholding had been placed with "two or three" long-term investors.

He emphasised that Mercury and Paribas continued to enjoy "a very close relationship." Lord Roll, joint chairman of S. G. Warburg, will continue as a director of Banque Paribas and Mr Jean-Yves Haberer, Paribas president, remains a director of Warburg.

The Paribas stake represents the last element of what was once an extensive cross-participation between the two groups, but which was largely unwound about four years ago.

At one stage, Paribas held 25 per cent of Warburg, with Mercury holding around 12.5 per cent of Paribas France, a similar percentage interest in Paribas Switzerland and about 10 per cent of Paribas Holland.

Mr Saul Steinberg, the US financier who has an 11.3 per cent stake in Mercury, is not among the purchasers of the 6.5 per cent Paribas interest.

Mr Steinberg's shareholding will fall to around 8 per cent after Mercury's April merger with Rowe and Pitman and Mullens and Co, the two stockbroking firms, and Akroyd and Smithers, the jobbers.

Severance costs drag Manchester Ship into red

HIT BY severance costs of £4m, Manchester Ship Canal Company, port operators, suffered taxable losses of £1.94m for 1985, compared with profits last time of £1.56m.

Severance costs—they were only £605,000 in 1984—were very high, directors say, with numbers falling by 250 to under 1,200 by the end of 1985.

The directors state that the future role of the upper canal is still under review and the need for outside assistance is becoming more generally recognised.

After tax of £91,000 (£453,000) and £64,000 (£133,000) set aside for the redemption of loan capital, losses per £1 share are given as 52.6p. These are compared with earnings of 26.3p.

The dividend, however, is lifted to 6p, against 5.5p, and there is a special centenary payment of 5p.

The directors say that the group's port incurred a loss of £1.6m for the year, which occurred all in the first six months—it broke even in the second half. Income rose slightly and costs, especially labour costs, were reduced.

Losses of £2m in the upper reaches continue to depress the overall port result, directors add.

Group turnover for the 12 months declined from £23.06m to £21.18m from which there was an operating loss of £1.5m, compared with profits of £130,000. Interest payments were little changed at £365,000 (£376,000), but property income was boosted from £1.57m to £2.87m, and loan and investment income increased to £1.05m, against £813,000.

Property income included a £1.2m surplus from the sale of land at Ellesmere Port. A revaluation of property assets as at December 31 last, showed an increase of £5.8m to £30.8m since year-end 1983.

C H Bailey reveals loss of £494,000 for half-year

C. H. Bailey, the controversial ship repairer and engineer criticised by the Stock Exchange for failing to produce interim figures, has broken with tradition by publishing results for the 28 weeks to October 11, 1985.

These show losses before tax of £494,000 on turnover of £3.54m. This compares with a loss of £97,000 for the full year to March 29 1985 when there was an exceptional income of £301,000 from a rates refund.

The loss attributable to shareholders amounts to £398,000 against a profit in the last full year of £241,000. The loss per share is 0.66p against earnings for the full year of 0.4p.

During 1985 the company reduced its holding in Bristol Channel Ship Repairers from 67 per cent to 50.2 per cent. The company also holds various foreign investments and owns a hotel in Malta.

● Tifa AG, the Liechtenstein-based company controlled by Mr David Mitchell, has again increased its holding in Bristol Channel Ship Repairers from just under 11 per cent to 12.13 per cent.

There has been speculation that C. H. Bailey may sell part of its stake to Mr Mitchell, who also holds about 28 per cent of C. H. Bailey itself.

Allied Arab Bank back in profit with £5.65m

BY MICHAEL CASSELL

Allied Arab Bank, the London consortium bank which in 1984 had to be rescued by its shareholders following heavy losses, last year recorded its first profits since 1982.

The bank yesterday reported pre-tax profits of £5.65m against losses of £3.49m in 1984. In the previous twelve months, it recorded a loss of £10m.

Allied Arab, in which Barclays Bank has a 20 per cent shareholding, underwent an emergency, £41m recapitalisation exercise in December 1984 after incurring serious losses on loans to Esal, an Indian commodities group which was subsequently wound up in the High Court. New management was also brought in.

Last year's profit figure was struck before a £1.5m provision for sovereign debt, which the bank considers prudent in view of its international dealings and continuing "economic turbulence" in parts of the world. There will be no dividend payment to shareholders.

Allied Arab, which had a £321m balance sheet at the end of 1985, holds a full UK banking licence. The majority shareholder is Sheikh Kamal Adhan of Saudi Arabia. A further 36.6 per cent is held by Al-Tajir Bank, which belongs to Mr Mohamed Al-Tajir, the United Arab Emirates Ambassador in London. The chairman is Dr A. M. Hegazy, a former Prime Minister of Egypt.

Mr Colin Wakelin, the chief executive, who is appointed by Barclays in 1984, said yesterday that 1985 had been a year of consolidation rather than significant growth but that the bank, with a strong new management team, now planned "prudent expansion in diversified areas."

Mr Wakelin said that the bank's strong capital base would enable it to support a larger business and it was considering acquisitions which would fit in with the existing business. The first such acquisition, AAB Export Finance, now provides the bank with a further range of products

COMPANY NEWS IN BRIEF

RESULTS

THROGMORTON TRUST: On earnings up from 7.6p to 8.36p per share in the year ended November 30 1985, the Throgmorton Trust is lifting its dividend from 7.5p to 8.35p net. The final is 5.6p. Over the 12 months the net asset value had risen from 265.4p to 327.9p after prior charges at par. By the end of December, however, it had slipped to 325.31p, and to 323.44 taking prior charges at market value. Gross revenue for the year rose from £8.98m to £10.68m and comprised franked dividends £6.84m (£5.2m), unfranked dividends and interest £722,000 (£2.22m), dividend from unconsolidated subsidiaries £300,000 (£122,000), interest £2.58m (£1.24m), underwriting commission £220,000 (£60,000), and net profit of dealing subsidiary £23,000 (£148,000).

AFRICAN LAKES: Adversities in its overseas operations have his results in 1985, and have offset considerable improvement made in the UK. For the year turnover rose by £3.81m to £17.55m, but the pre-tax profit fell from £1.28m to £510,000. The dividend is held at 1.5p net per share on capital increased by the 1-for-5 scrip, giving a rise of 0.25p. In Malawi profits were cut because of heavy exchange losses, higher interest charges and reducel margins. Substantial losses on mining similarly affected results in Zimbabwe. Losses from Ethiopia increased although they were not significant.

PRESS TOOLS taxable profits increased from £126,000 to £182,000 for the six months ended October 31 1985 from turnover of £2.11m (£1.96m). After tax of £56,000 (same) earnings per 10p share are given as 6.3p (3.5p) while the interim dividend is 1p (0.9p). Last year's final payment was 1.75p.

BIDS AND DEALS

PRESIDENT ENTERTAINMENTS' sales and marketing director Mr Peter Ducker, has resigned from the USM-quoted theme restaurant group after just over four months. Mr Robert Earl, chairman, said Mr Ducker, who joined President from a London hotel group, wanted to return to the hotel business. No compensation will be paid and there are no plans to appoint another director to this position.

PETROFINA'S offer for Charterhouse Petroleum has been declared unconditional following acceptances having been received in respect of 126.05m shares (92.87 per cent). With the 1.25 per cent stake it already holds and the 5.3 per cent stake held by its financial advisors, Hill Samuel, which has also accepted the offer, Petrofina owns or has acceptances for 94.12 per cent of the capital.

NICHOLS (Vimto), the soft drinks manufacturer ,has agreed to buy Cabana (Holdings), another soft drinks manufacturer, for £3.56m, plus a further payment related to turnover of up to £400,000. The purchase also includes an outstanding warrant to subscribe for shares in Cabana, which made pre-tax profits of £343,207 in the year to January 31, 1985 and has warranted pre-tax profits of not less than £400,000 (excluding extraordinaries) in the year just ended.

TIPHOOK, the container and trailer rental company, announced the agreed acquisition of *PNO Trailer Leasing*, a private Danish company for £3.2m. The deal will be paid for through a vendor placing of 837,425 shares at 157p per share. PNO's pre-tax profit in the year to April 30 1985 was £329,000.

PRESTWICH HOLDINGS, the Manchester-based engineering company, is in discussions with CooperVision, the large US eye-care group, about the possible sale of Henleys Optical, Prestwich's chain of 44 opticians, most of which are in North west England. Last year Henleys provided about 35 per cent of Prestwich's £874,000 pre-tax profits. CooperVision last month agreed an £8.25m takeover of R. Kelvin Watson, another Manchester-based optician.

Berkeley Exploration and Production shareholders have taken up about 28.2 per cent of an offer for sale of shares in connection with the company's purchase from Texaco of a stake in the Forties Field. The balance was conditionally placed at the time the transaction was originally announced.

PRONTAPRINT, the instant print chain, has taken a 30 per cent stake in Zippy Print of Canada for C$467,000 (£235,000). The Canadian company has 23 outlets and plans to open five more by the end of 1986.

BEFORE YOU CONSIDER ARGYLL AND DISTILLERS, TAKE A LOOK AT ARGYLL AND DISTILLERIES.

LOCH LOMOND. SPRING 1985.

GLEN SCOTIA. SUMMER 1983.

LITTLEMILL. SPRING 1985.

Compare the words of the Argyll Group of Companies with those of Guinness PLC on their respective commitment to Scotch whisky.

Argyll: "In March 1985 the Loch Lomond Distillery, together with certain Scotch whisky stocks, were sold to Inver House Distillers Ltd for a total consideration of £6.9 million. The sale reflected a policy decision to reduce investment in Scotch whisky production." (Source: Argyll Annual Report, August 1985.)

Ernest Saunders, Chief Executive of Guinness: "Scotland is the home of whisky and we must do everything in our power to ensure that the life blood of this vital export industry is not damaged." (Source: Guinness Press Release, February 4th 1986.)

GUINNESS PLC

Guinness and Distillers. A stroke of genius.

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UK COMPANY NEWS

Imperial launches attack on Hanson's US record

BY MARTIN DICKSON

Imperial Group, the tobacco, brewing and leisure group, fighting a £1.8bn takeover bid from Hanson Trust, yesterday launched a scathing attack on Hanson's record in the US and its capital investment programme.

In a letter to shareholders it argued that, company by company, the performance of Hanson's US operations was very poor.

However, Hanson hit back last night saying that Imperial's arguments were based on an insufficiently close examination of its accounts. It added that capital investment policy was to only put money were it would give a good return for shareholders.

Lord Hanson, chairman of Hanson Trust

The new clash comes as the Government is weighing up a confidential report by the Office of Fair Trading on whether or not the Hanson bid for Imperial, and Imperial's rival plan for a *merger with* United Biscuits, should be referred to the referred to the Monopolies Commission.

The OFT has taken an unusually long time submitting its report. Today is the 39th *day of the Hanson bid, which is* normally the last day under the Takeover Code that a defending company can issue trading in*formation such as profit and* dividend forecasts. However, Imperial is understood to have received dispensation from the Takeover Panel to breach this rule.

Yesterday's Imperial document said that Hanson's US operations provided 47 per cent of its operating profits last year and were vital to the group's future prospects.

However, it went on, 86 per cent of its US profits increase between 1980 and 1985 were "bought in" through acquisition, a further 8 per cent represented exchange rate changes and only 6 per cent came from organic growth, falling far short of inflation.

Imperial added that in the past five years Hanson had materially reduced its rate of capital expenditure, both as a proportion of sales and in relation to depreciation. This, it said, contrasted sharply with Imperial's rapid growth.

In 1985 Imperial had spent £193m on capital expenditure in its three main divisions—4.5 per cent of sales, dwarfing Hanson's *£59m or 2.2 per cent of sales.*

Diploma takes £7m stake in W. German electronics group

BY LIONEL BARBER

Diploma, the electronics and building components concern has acquired a 22 per cent stake in Electronics Vertriebs AG, a West German electronics distributor, in a deal worth £7.4m.

Diploma also has an option to increase its stake to 37.6 per cent next year at a cost of £5.78m, bringing the total cost of the deal to just over £13m.

The initial purchase of the 22 per cent stake in Electronic 2000 has been satisfied by the placing of 2.8m new shares in Diploma at 265p per share, representing 5.1 per cent of the enlarged share capital.

Electronic 2000 is one of the three largest West German semi conductor distributors. The group experienced a difficult year in 1985, with likely pre-tax profits of DM 12.85m, compared with DM 14.1m.

Diploma, however, reckons the deal brings it a stake in a similar type of firm operating in the largest electronics market in Europe with the best prospects.

Last year, Electronic 2000 acquired another West German electronic distributor which made pre-tax profits of DM 6.25m and had net assets of DM 2.64m for an issue of its own shares.

Diploma achieved pre-tax profits of £55.9m turnover for the year ending September 30 1985, a drop of £0.8m on the previous year. Part of the fall was due to the difficulties in the cyclical semi-conductor market.

Diploma closed at 270p, unchanged on the day.

McCorquodale set to buy specialist packaging group

BY DAVID GOODHART

McCorquodale, the printing and packaging group which last December abandoned a £12.2m bid for fellow printer Richard Clay, is on the point of clinching a new takeover.

Discussions have been continuing for some weeks with the Wilkinson Sword Group, part of the US company Allegheny International, about the possible purchase of H. W. Chapman, a specialist packaging business which is an independent division of Wilkinson Sword.

Chapman has three production units based in Wellingborough and employs about 250 people. It specialises in printed cartons for the food, household goods and pharmaceuticals industries. It also acts as a wholesaler of packaging materials.

In the year to September 30 1985 McCorquodale recorded profits of £10.2m on turnover of £160.2m. The company's offer for Clay was first referred to the Monopolies Commission at the end of last year and then St Ives, the magazine printer, came in with a £18.8m offer. Subsequently McCorquodale pulled out complaining that the Department of Trade and Industry had not allowed it to re-enter the fray with St. Ives for a crucial two weeks after the improved offer was made.

Bell has 11% stake in Morgan Crucible

Mr Robert Holmes à Court's Bell Group has become the largest single shareholder in Morgan Crucible, the materials technology company, with an 11.2 per cent stake.

Perth-based Bell has spent an estimated £16.5m in acquiring its holding in Crucible over the last six months. The first public report of a stake held by the Australian company was in late January when Bell said it held 7.1 per cent.

Crucible, whose £48m agreed bid for First Castle Electronics is due to close on February 13, says that the UK arm of Mr Holmes à Court's group had been keeping in touch with the company. "They say the stake is just an investment and we feel very relaxed about it," said Mr Irvine Simpson of Crucible yesterday.

Last night Crucible's shares closed at 246p, up 4p, only 1p below the 1985-86 high.

Norwich Union supports Guinness bid for Distillers

BY DAVID GOODHART

Norwich Union, one of the largest shareholders in Distillers with about 2 per cent, has told Guinness that it is supporting its bid for the spirits company despite being one of the institutions which has publicly queried the unusual underwriting deal between Guinness and Distillers.

Mr David Barker, the chief investment manager at Norwich, has made it clear that he was not consulted by Argyll — the rival bidder for Distillers— before the supermarkets group decided to seek a High Court writ over the underwriting deal last week.

While stressing that Norwich was "relatively relaxed" about the Distillers underwriting arrangements he also said that he would not like to see it becoming a trend. "The idea of the cost-free 'white knight' if it caught on could lead to a lot *of irresponsible deals*," he said.

Argyll, meanwhile, is stressing that any significant increase to the last Guinness offer to top the current Argyll one would lead to serious dilution for Guinness shareholders.

Mr Rupert Faure Walker, of Samuel Montagu, Argyll's merchant bank, said yesterday that assuming a new 628p cash offer by Guinness the dilution would increase from the present 11 per cent to over 20 per cent.

Guinness's share price picked up 7p to close at 285p yesterday having fallen sharply on Friday. Distillers fell 8p to close at 612p and Argyll rose 4p to finish at 342p.

Argyll said yesterday that, with others acting with it, the company now holds 14.36m Distillers shares, or 3.85 per cent.

Wm. Ransom up 30% but margins under pressure

AN UPSURGE in demand brought about by the limited list prescribing regulations gave *manufacturing* chemist William Ransom & Sons a near-30 per cent profits boost at the six *months'* stage.

The directors say sales are continuing on a buoyant note although intensive competition is making an impact on margins.

They add that sterling, which was strong until recently, and the costs incurred at Halas *Pharmaceuticals*, the recently-acquired subsidiary, are also having an effect on the group's profitability.

The opening half year (to September 30 1985) saw profits rise from £172,000 to £223,000 pre-tax from a turnover £1.05m ahead at £3.11m.

The directors are looking for profits of not less than last time's £306,000 in the second half. Meanwhile, they are lifting the interim dividend from 1.65p to 1.82p net per 10p share.

Earnings for the first half emerged at 5.66p, compared with 5.27p, after tax of £88,000 against a previous £77,000.

F.T. Share Information

The following securities have been added to the Share Information Services:

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Spong set for Gaunt bid

THE board of Spong Holdings, the Basildon-based housewares distributor, is today expected to *announce a bid for Rowland* Gaunt, the Leeds clothing manufacturer valuing the company at about £20m. Mr Stephen *Barclay, chairman of Spong, is* also a senior director of the USM-quoted Gaunt.

Spong recovered sufficiently last year to resume paying dividends on the ordinary shares, suspended since 1978. For 1984 sales rose from £1.76m to £4.24m and profits increased by £245,000 to £271,000. In the six months to April 30 1985 Gaunt *doubled pre-tax* profits from £30,000 to £60,000 and increased turnover from £2.6m to £3.38m.

On the first announcement of talks on Friday Gaunt's share price rose 9p to close at 86p and yesterday it rose another 2p to 88p. *Spong's share price* dropped half a penny on Friday and picked it up again yesterday closing at 20p.

Costain US acquisition

Costain Group, the contracting and mining company, is to buy Nicor Mineral Ventures, a Denver-based company *with* talc and silica mining interest.

Costain said this was an *important strategic step in its* expansion into the recovery and processing of minerals, though the deal was worth much less than 5 per cent of its net worth of about £240m.

Costain Holdings Inc, a US subsidiary of Costain engaged mainly in the mining and marketing of coal, has signed a letter of intent to buy the company from Nicor Inc. Mineral Ventures is managing partner in a joint venture development of a talc mine and processing plant in Montana. It also has silica interests and some small gold reserves.

Unilever buys in US

UNILEVER, the Anglo-Dutch consumer products group, has bought J. H. Filbert, a US producer and distributor of margarines, mayonnaise and salad-related products, from *Central Soya Co.*

Filbert, based in Baltimore, Maryland, will become part of Lever Brothers, and will expand Unilever's range of margarines in the US.

It is the second US margarine company to be bought by Unilever, following the purchase of Shedd Food Products from Beatrice Foods in February 1984.

Country Gardens calls for £3m under BES

Country Gardens is asking *investors for £3m* under the Business Expansion Scheme in order to develop its established garden centres and to open new ones.

To cut costs the company is effectively sponsoring its own issue—of up to 4m shares at 75p each—but investors will deposit their money with Country Gardens' custodian trust, the Alliance Assurance Company.

The company began trading 12 months ago after raising £1.5m in launch capital through a Business Expansion Scheme. It *now* operates two garden centres, in Cirencester and near Didcot. Each is structured according to the concept of the American shopping mall as a centre of activity to attract gardening non-specialists as well as afficionadi.

Should the issue be successful Country Gardens plans to expand its existing centres and *to develop new sites*. The management has already found one suitable site, in Surrey.

The issue has already opened and will close on March 17, therefore investors can claim tax relief in either the current or the coming fiscal year.

The Country Gardens issue is just one in the rush of Business Expansion Schemes timed to emerge before the end of the 1985/86 financial year.

Among the other schemes Tomorrow's Leisure—which encompasses an hotel, snooker halls and a golf centre—aims to raise just over £1m by issuing up to 4.8m shares at 25p each. The issue, which is sponsored by Guidehouse, has opened and will close on March 5 thereby accommodating both the 1985/86 and 1986/87 fiscal years.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Automagic Holdings‡ int	2	—	2	—	5.6
Access Satellite‡ ......int	1.2	March 28	1	—	3
George Dew	3.7	March 26	3.4	6	5.7
Drayton Far East	0.7	April 1	0.7	1.1	1.1
European Assets	0.06‖	May 20	0.06	0.1	0.1
Manchester Ship	11¶	—	5.5	11¶	5.5
Press Tools ....int	1	—	0.9	—	2.65
Vantona Viyella	8†	July 1	6	12	10

Dividends shown pence per share except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Includes special centenary payment of 5p. ‖ Dutch florins throughout.

BOARD MEETINGS

TODAY

Interims: Amstrad Consumer Electronics, Genbel Investments, Manganese Bronze, Our Price, Stonehill, United Packaging.

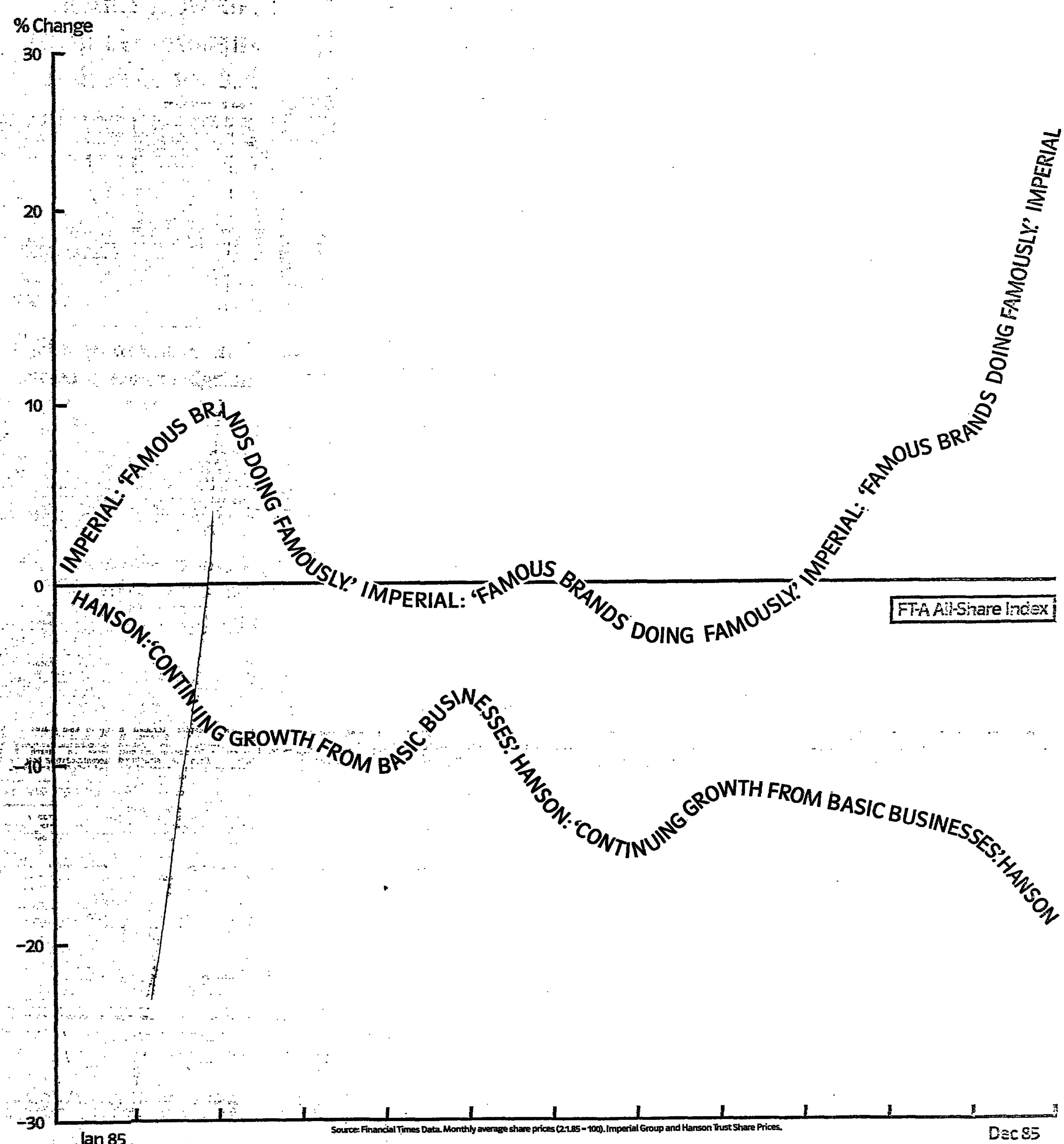
Finals: AGA, Burmatex, Consolidated Co Bultfontein Mine, D. J. Security Alarms, General Funds Investment Trust, Griqualand West Diamond Mining, Vantage Securities.

FUTURE DATES

Interims:
CVD .... Mar 10
Dale Electric International ......†Feb 20
Dialene .... Feb 20
TR City of London Trust .... Feb 12
Victor Products .... Feb 26

Finals:
Alexanders Holdings .... Feb 18
C. S. C. Investment Trust ...... Feb 17
Cranbrook Electronic .... Feb 14
Midland Bank .... Mar 5
Pacific Assets Trust .... Feb 27
Quick (H. & J.) .... Apr 17
Renown Inc .... Feb 21
Scottish Agricultural Industries Feb 13
Updown Investment .... Feb 19

†Amended



You may have wondered why Hanson's share price so dramatically underperformed the market in 1985.

Could it be that investors have come to realise that Hanson's growth is dependent on successively larger acquisitions?

That 77% of its companies are operating in declining industries?

That the current trading performance of most Hanson companies is at best pedestrian?

That Hanson plans to issue another massive amount of convertible to take over Imperial?

That this would result in Hanson convertible accounting for nearly a third of all U.K. convertible issues?

Or is there something else we don't know?

Famous brands doing famously.
IMPERIAL GROUP

The sources for the information contained in this advertisement are set out or referred to in the letter from the Chairman, Imperial Group plc to shareholders dated 16th January 1986. The directors of Imperial Group plc (including those who have delegated detailed supervision of this advertisement) have taken all reasonable care to ensure that the facts stated and opinions expressed are fair and accurate. The directors accepted responsibility accordingly.

HIGHVELD

STEEL AND VANADIUM CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

Registration No. 60/01900/06

DECLARATION OF DIVIDEND NO. 23 (FINAL)

A dividend No. 23 of 16 cents a share being the final dividend in respect of the financial year to December 31 1985 has been declared payable on May 2 1986 to shareholders registered in the books of the corporation at the close of business on March 27 1986. This dividend, together with the interim dividend of 8 cents a share declared on August 9 1985 makes a total of 24 cents a share for the year.

The dividend is declared in the currency of the Republic of South Africa. Dividend warrants will be posted from the office of the transfer secretaries on or about May 1 1986.

Any change of address or dividend instruction to apply to this dividend must be received by the corporation's transfer secretaries not later than March 27 1986. Shareholders must, where necessary, have obtained the approval of the South African or any other exchange control authorities having jurisdiction in respect of such instructions.

The share transfer register and register of members will be closed from March 28 to April 11 1986, both days inclusive.

In terms of the Republic of South Africa Income Tax Act 1962, as amended, non-resident shareholders' tax will be deducted by the corporation from dividends payable to those shareholders whose addresses in the share register are outside the Republic. The effective rate of non-resident shareholders' tax is 15 per cent.

The abridged audited consolidated income statement of the corporation and its subsidiaries for the year to December 31 1985 is as follows:

	1985 R000	1984 R000
Turnover	662 161	450 157
Profit before taxation	40 519	28 603
Taxation	11	(34)
	40 508	28 637
Outside shareholders' interest	(87)	2 148
Attributable profit	40 595	26 489
Extraordinary items	(9 004)	5 926
	31 591	32 415
Less: Transfer to non-distributable reserve	—	518
Interim dividend No. 22 of 8 cents a share (1984: No. 20 of 6 cents a share)	5 639	4 092
Provision for dividend No. 23 (final) of 16 cents a share (1984: No. 21 (final) of 11 cents)	11 302	7 501
Retained profit for the year	14 650	20 304
Weighted average number of shares in issue during the year	69 939 190	68 168 154
Earnings per share (cents)	58.0	38.9
Dividend per share (cents)	24.0	17.0
Dividend cover	2.42	2.29

The extraordinary items referred to above arise from writing off goodwill in respect of the acquisition of Rheem South Africa (Proprietary) Limited and the conversion of Transalloys (Proprietary) Limited to a wholly-owned subsidiary.

It is anticipated that the annual report will be posted to all registered shareholders on or about March 17 1986.

By order of the board
A. J. L. PRETORIUS
Company Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
40 Commissioner Street
Johannesburg 2001
(P.O. Box 61051, Marshalltown, 2107)

Registered Office:
Portion 29 of the farm
Schoongezicht No. 308 J.S.
District Witbank
(P.O. Box 111, Witbank, 1035)

Witbank
February 11 1986

UK COMPANY NEWS

One in four Wellcome applicants get shares

THE £250M OFFER for sale of shares in Wellcome, the international drug company, has received more than 430,000 applications worth £4.5bn. The shares are to be allocated so that about three-quarters of the applicants will get no shares at all, with larger applicants getting about 5 per cent of the shares applied for.

After weeding out obvious multiple applicants and allocating in full preferential applications, the shares will be allocated as follows: applications for fewer than 4,500 shares will be balloted, with applications for between 200 and 300 shares getting 200; for 400 getting 250; for 500 to 1,500 getting 300; for 2000 to 4,000 getting 350.

Those who applied for 4,500 and 5,000 will get 350; those for 6,000 and 7,000 will get 400, and applications for 8,000 shares will get 450 shares. Applications for 9,000 shares and more will get about 5½ per cent of the number applied for, up to a maximum allocation of 560,000 shares.

The ballots are being carried out on a weighted basis so that the chances of success are as follows: for 200 shares, one in 14; for 300-500 shares, one in 10; for 1,000 shares, one in five; for 1,500-2,000 shares, one in three; for 2,500 shares, two in five; for 3,000 shares, one in 2; for 3,500 shares, two in three, and for 4,000 shares, three in four.

Letters of acceptance will be posted on February 13, dealings begin on Friday.

Access Satellite advances to £1.4m

Access Satellite International, which makes work platforms for sale or hire, raised pre-tax profits by 18 per cent from £1.16m to £1.36m for the six months to October 31 1985, on more than doubled turnover of £5.78m, against £2.65m.

The directors of this USM company say further penetration of the market has been achieved in the period under review, with a continuing increase in the number of machines on hire and also in the hire rates. This trend has continued since October in spite of the winter season.

The group is building up its hiring operation in certain areas of the US and a substantial expansion in this side of the business is antipicated. This complements the company's cash sales in North America and offers a more flexible package to distributors there.

Numerous sales inquiries have been received from many other parts of the world, the directors say, and substantial negotiations are underway in several countries in Europe and the Middle East.

With stated earnings per 5p share up from 4.36p to 4.82p, the net interim dividend is raised by 20 per cent from 1p to 1.2p—last year's total was 3p on £1.89m pre-tax profits.

First-half tax charge was £546,000 (£517,000) and after minority debits of £53,000 (£16,000), the net attributable surplus was ahead from £627,000 to £765,000.

● comment

Access Satellite's fortunes have faltered ever since it first surfaced on the USM in 1984. The company's shares have wavered to last week's low of 130p only to be modestly revived by yesterday's interim results to rise 5p to 135p. Unfortunately for Access its shareholders were much more amenable to its "revolutionary" alternative to scaffolding than the ultimately conservative construction industry has proved to be. Nonetheless the American market has shown some progress and its growth produced almost all the first half's profit. Access now faces the dilemma that the swiftest way to build up business in the US, by establishing a rental network, is denied to it because of the short term start-up costs. The British rental business is still operating at a loss, but should break even in the second half. And the company promises new orders from Europe and the Middle East, some of which should feed through into the full year's figures. Three of the company's original directors have now left and Access is still scouting about for a finance director. As even Access accepts its product will not realise the full profit potential that sold it to the USM for five or six years at least. Until then the company's performance will be respectable at best. The City expects profits of £2.9m and a prospective p/e of 13 for the full financial year.

George Dew profits fall 37%

George Drew has put at £80,000 the cost of defending itself against last year's £9m bid from Bremner, the Glasgow-based department store company. The amount has been taken as an extraordinary item in the accounts for the year to November 3 1985.

Bremner made its unwelcome offer for the Oldham-based civil engineering group towards the end of last year. However, it was accepted by holders of only 165 shares and lapsed.

During its defence Dew forecast a final payment of 3.4p. The directors are now recommending a final dividend of 3.7p (3.4p), making a total for the year of 6p (5.7p).

As the directors warned at the halfway stage turnover was down by 33 per cent in the second half, resulting in a fall for the year of 17 per cent from £36.27m to £29.96m. Pre-tax profits—in line with Dew's estimate—fell by 37 per cent from £1.69m to £1.06m, with a reduction from £1.68m to £591,000 in the second half.

With a lower-than-estimated take charge of £209,000, against £616,000, because of a previous over-provision, the earnings per share before extraordinary items came out at 10.7p, against an estimate of 8.8p made during the bid battle and the comparable 13.3p. After extraordinary items the figures were earnings of 9.7p against losses per share of 7p.

The extraordinary item of £80,000 (£1.3m) left attributable profits of £775,000, against a loss of £560,000. Dividends absorbed £480,000 (£456,000) and the surplus for the year came out at £295,000, against a deficit for the previous year of £1.02m.

IoM Steam losses increase

Pre-tax losses at the Isle of Man Steam Packet Co almost doubled from £303,772 to £604,424 for the year to December 31, 1985.

The result reflected a charge of £606,039 (£100,641) for net interest payments — including interest arising from extraordinary items — and losses on sale of fixed assets.

Extraordinary debits totalled £2.54m (£2.5m). These were attributable to merger and reorganisation costs — last year the company merged with the Manx shipping operations of Sealink UK — and the costs related to the vessel "Mona's Isle."

In their interim report in November, the directors said the "Mona's Isle," which was purchased towards the end of 1984, had not proved suitable for the company's requirements.

Turnover for the 12 months increased from £12.33m to £16.34m, while at the trading level the company made a profit of £1,615 (£21,131 loss). There was a tax credit of £101,143 (£58,528) making a net deficit of £503,281, against £246,244.

Stated loss per £1 share was 17.9p (13.5p) before extraordinary items and 109.7p (124.6p) after.

European Assets lifts value 26%

IN A year of strong growth, European Assets Trust has seen its net asset value rise from Fl 5.37 to Fl 6.78 per share by the end of 1985. This is equivalent to an increase of 26.3 per cent, or of 30.4 per cent in sterling terms.

European Assets is an Amsterdam-based investment company concentrating on small and medium sized companies in Continental Europe for long term capital growth. It is advised by Ivory & Sime and is quoted in London.

The directors see the 1985 performance as particularly satisfactory in the light of the domination of European markets by large companies.

They believe that the current economic conditions on the Continent, together with the increasing number of companies raising equity, is providing an exciting environment for growth.

At the year-end total assets were invested (in per cent) as to France 34.3, Benelux countries 28.1, Scandinavia 21.9, Spain 4.9, Germany and Switzerland 4.3, and Continental Assets Trust 3.9. This is a new investment trust specialising in small companies in Europe.

On the income front, European Assets earned Fl 0.09 per share (Fl 0.11), and is paying an unchanged final dividend of Fl 0.06 for a same again total of Fl 0.1.

Dividends and interest on securities came to Fl 3.22m (Fl 2.87m) and interest receivable to Fl 161,000 (Fl 910,000). However, interest payable rose to Fl 355,000 (Fl 36,000) and management and general charges to Fl 732,000 (Fl 661,000).

NATIONAL (UK) is in discussions with the receiver for Castle (GB) regarding the resumption of deliveries of flat-pack kitchens. The packs were previously distributed in the UK through Castle which recently agreed to the appointment of a receiver.

Heiton makes headway in difficult trading conditions

ALTHOUGH TRADING at Heiton Holdings continued to be very difficult, with further volume reductions and tight margins in the construction industry, first-half trading profits of this Dublin-based builders' merchant rose by some 35 per cent from I£352,000 to I£474,000 (£425,000).

After deducting interest of I£426,000 (I£416,000), associate contributions of I£132,000 (I£133,000) and redundancy and extraordinary costs of I£236,000 (I£204,000), pre-tax losses were reduced from I£401,000 to I£320,000. Turnover for the period to October 31 improved from I£14.49m to I£14.89m.

There were tax credits of I£30,000 (I£90,000) giving stated losses per 25p share of 2.89p, compared with 3.13p.

The directors say the recent investment of 2.5m by institutional investors have significantly improved the company's prospects by reducing its gearing and strengthening its trading base.

They believe that the House Improvements Grant Scheme, introduced by the government in October, should bring some welcome activity to the Irish building industry.

It is hoped however, that the confident predictions of falling interest rates made in the Budget are quickly fulfilled, as they say the recent increases in rates, if maintained for more than a short period, would have serious consequences for the whole economy.

APEX MINES LIMITED
(Registration No. 01/0?51/06)
("Apex")
and
THE CLYDESDALE (TRANSVAAL) COLLIERIES LIMITED
(Registration No. 01/01124/06)
("Clydesdale")

(Both Incorporated in the Republic of South Africa)

MERGER OF APEX AND CLYDESDALE

Announcement of Proposals

On 4 December 1985 an announcement was published in the Press regarding revised proposals for the merger of Apex and Clydesdale.

Notices of Scheme Meeting and General Meetings

Notices convening the scheme meeting of Apex and general meetings of Apex and Clydesdale to be held on Wednesday, 5th March 1986 for the consideration of the necessary resolutions to enable the proposals to be implemented were today posted to the members of Apex and Clydesdale, together with an explanatory circular.

11th February 1986

MEMBERS OF THE GOLD FIELDS GROUP

طبق الأصل

FT COMMERCIAL LAW REPORTS

Buyers can sue for bad Egyptian potatoes

NILE COMPANY FOR THE EXPORT OF AGRICULTURAL CROPS v H. & J. M. BENNETT (COMMODITIES) LTD AND OTHERS

Queen's Bench Division (Commercial Court): Mr Justice Anthony Evans: December 20 1985

WHERE THE parties to a sale agreement intend that on delivery of unmerchantable goods the buyer shall invoke contractual machinery to set off loss against purchase price, his failure to do so deprives him of a defence of set-off on the seller's claim for the full price, though he retains his right to counterclaim for unmerchantability; *and if disputes lead to replacement of the agreement by a settlement agreement which is frustrated so that under its proper law the sale agreement revives, the buyer's inability to plead a defence of set-off also revives as does his right to assert unmerchantability by way of counterclaim.*

Mr Justice Anthony Evans so held in interlocutory proceedings in an action by plaintiff sellers of potatoes, the Nile Company for the Export of Agricultural Crops, against defendant buyers, H and J M Bennett (Commodities) Ltd and others, and on a counterclaim by the defendants.

HIS LORDSHIP said that the plaintiff was a state-owned commercial organisation. Its activities included the export of potatoes, which was controlled by the Egyptian government.

It traded with the defendants between 1977 and 1982. The dispute centred on the defendants' contractual undertaking to pay for potatoes shipped and delivered to them in the UK under an agreement dated March 3 1980 and signed in Cairo—"the potato agreement."

Clause 4 of the agreement as amended by an addendum dated February 3 1981, provided machinery to be invoked where a consignment arrived in bad condition. It entitled the defendants after inspection of the consignment by the Egyptian authorities to deduct the value of damaged goods from the fob amount due to the plaintiff.

The contractual provisions of the potato agreement enabled the defendants to obtain delivery of the potatoes about one week before the time for payment arrived. As their trade consisted of selling on the wholesale market they could reasonably expect to receive part of the sale proceeds before they were required to pay for the documents.

Before the 1981 summer shipments began, the Egyptian authorities demanded 100 per cent of the official fob price against shipping documents. The first of nine disputed shipments arrived on April 6. The defendants failed to meet demands for payment.

Large quantities of the potatoes were unsold and lying in store. The shipping documents were with a bank and payment of 100 per cent of the fob price was due. Until the potatoes were sold the defendants did not have the money to pay for the documents.

Market prices in the UK were low and the fob price was fixed in US dollars whereas resale was in sterling, which was falling. The potatoes deteriorated if kept in store and their condition was an ever-present worry for the defendants.

They obtained possession of certain cargoes and were able in due course to dispose of all the disputed shipments without first obtaining the shipping documents. The net proceeds amounted to £142,749, for which they offered credit against the total contract price for the nine shipments, which was about $2.8m.

They asserted that the potatoes were delivered in an unsatisfactory condition, but did not operate the clause 4 machinery. There was no reason why they should not have done so if the shipments were damaged on arrival.

The parties subsequently negotiated a settlement agreement signed in Cairo and dated September 16 1981, under which the defendants accepted liability to pay the full fob price of the nine disputed shipments in nine instalments. One instalment was paid and the remaining eight were payable in 1982 and 1983. The potato agreement as amended was extended to cover 1983 and 1984 as well as 1982.

Clause 4 of the settlement agreement provided that if the plaintiff did not fulfil its commitment under the potato agreement as amended and extended, "then the two parties undertake that they will negotiate in good faith to reach an agreement." If the negotiations did not succeed the whole agreement was to be considered cancelled "and both parties reserve all their legal rights" under the potato agreement as amended.

On December 31 1981 the Egyptian Government approved a policy that exports should no longer be on the basis of shipping against documents. Payment was to be by confirmed documentary credits opened in advance.

The defendants said they could not accept the variation in their contractual obligations. The second instalment for the 1981 shipments became due on April 15 1982. It remained unpaid. The plaintiff issued its writ on July 7 1982.

The plaintiff's claim, basically, was for the price of the shipments. The defendants counterclaimed for damages for non-shipment during 1982 to 1984.

Egyptian law was the proper law of both agreements.

The effect of the regulation was to make it unlawful for the plaintiff to export potatoes on the terms of the potato agreement with payment against documents. It also made it impossible in practice for exports to take place on those terms, given the need to comply with exchange control and other regulations before any shipments could take place.

The supervening illegality or impossibility of performing those acts in Egypt was sufficient to frustrate the contract even if governed by English law. Also the change effected by the regulation was sufficiently substantial to frustrate the agreement. A confirmed irrevocable letter of credit opened in advance of shipment was a different commercial animal from the obligation to pay cash against documents after shipment. The difference was fundamental.

Nothing the plaintiff might or could have done would have prevented the regulation from taking effect. The contract covering the 1982 and subsequent seasons was therefore frustrated by the change in regulations.

Article 159 of the Egyptian Civil Code provided that when a contractual obligation was extinguished by impossibility "correlative obligations are also extinguished and the contract is rescinded *ipso facto*."

Article 160 provided that when a contract was rescinded "the parties are reinstated in their former position. If reinstatement is impossible the court may award damages."

The question was whether the instalment obligations were "correlative" to the potato supply obligations or, as an English lawyer would say, whether the two parts of the agreement were severable.

It was essentially a question of construction. The wording of the contract document did not provide a clear answer to whether the settlement agreement was correlative to or severable from the potato supply obligation, and on that basis it was necessary under article 150 of the Code to construe the contract by reference to the nature of the transaction and the intention of the parties.

Both parties intended that the two parts of the agreement should be linked together, and therefore, in consequence of the discharge of the potato supply obligations, the defendants were released from their undertaking *to pay the remaining instalments*.

However, under article 160, the result of rescission was that the parties were, if possible, reinstated.

Reinstatement was possible. The basic scope of the parties' rights under the potato agreement as at September 15 1981 could, if necessary, be determined by the court. It was sufficient for present purposes that the parties could be restored to those rights and that article 160 did not give rise to a damages claim.

The plaintiff contended that the defendants' failure to operate the machinery in clause 4 of the potato agreement debarred them from exercising the right of set-off otherwise than in accordance with the clause, and even from claiming damages for the alleged defective condition of the cargoes.

Clear and unequivocal wording was necessary to achieve such a result. There was no express wording in clause 4 which purported to have that effect. The question therefore was whether the clause properly construed implied the clear and unequivocal meaning for which the plaintiff contended.

The answer depended on the intention of the parties properly derived from the terms of their agreement and the admissible surrounding circumstances.

On that basis clause 4 did not preclude the defendants from bringing damages claims in cases where they had failed to invoke the procedure, but it did prevent them from deducting such claims from the fob amount drawn by the plaintiff, subject only to claims made in accordance *with the clause*.

In summary, the change of regulations discharged the parties from further liability under the settlement agreement, due to impossibility of performance, but under Egyptian law their rights and obligations under the potato agreement as amended with regard to the disputed shipments revived.

The plaintiff was therefore entitled to recover the price of *the shipments or an equivalent* sum in damages, subject to giving credit for the sums already received.

Clause 4 of the potato agreement not having been complied with, the defendants could not rely on their claims regarding the arrival condition of the potatoes as a ground for reducing their liability for the price of the shipments, but the clause did not debar them from raising those claims by way of counterclaim.

The decision meant that a further hearing of the merchantability and related issues would be necessary in due course.

For the plaintiff: Christopher Carr QC and Jeffrey Onions (Fox and Gibbons).

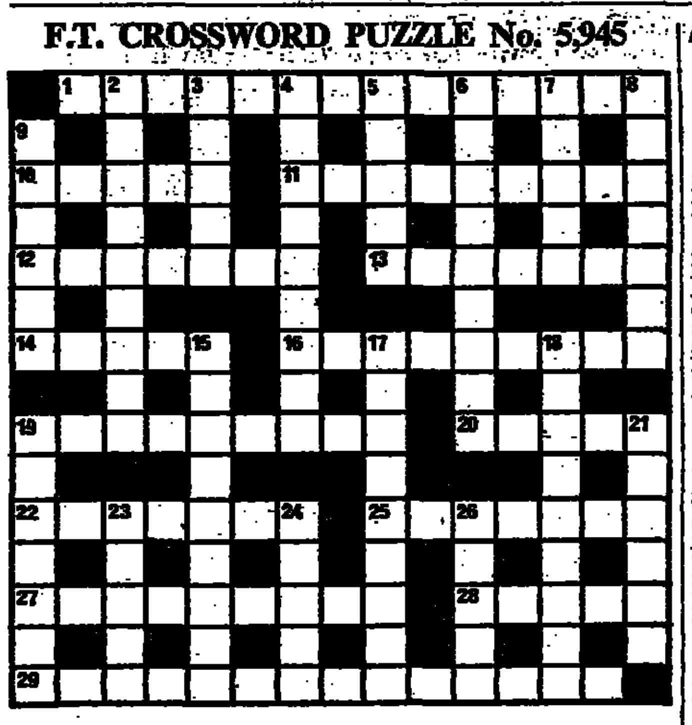
For the defendants: Alexander Irvine QC, Richard Aikens and Siobhan Ward (Amhurst, Brown and Co.).

By Rachel Davies
Barrister

Correction

In *Hedges and Butler v Customs and Excise Commissioners (FT February 7 1986)* counsel for the company were John Hicks QC and Nigel Tozzi, and counsel for the Commissioners were Michael Rich QC and John Howell.

F.T. CROSSWORD PUZZLE No. 5,945



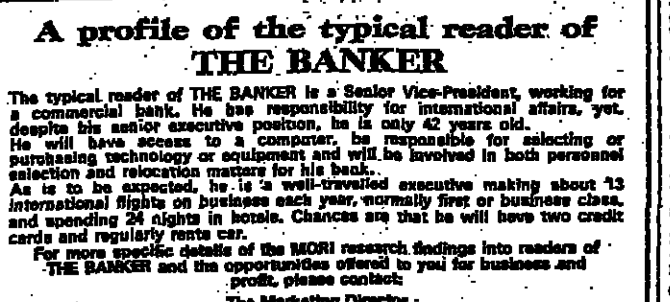
ACROSS

1 Employees who gain nothing by waiting? (6, 8)
10 Wild revel in the bar (5)
11 Bachelor to do wrong with mother in valley (6, 3)
12 Line of defence that makes lawyers angry (7)
13 Malicious gossip involving a number in footwear (7)
14 City editor taken in by the French (5)
16 Took over and did a good job (9)
19 A revolutionary fortification (9)
20 Simple soul was penniless (5)
22 Takes stock of others (7)
25 Make out a new plan for Marxist flotation (7)
27 Make a sorry speech? (9)
28 I'll be kept in by the beak for talking too much (5)
29 Fulfilment of talent (14)

DOWN

2 Always be brave and don't worry (5, 4)
3 Great arterial way (5)
4 It inwardly troubles the consumer (9)
5 Birds from other nests (5)
6 They have a little place in the country (9)
7 Possibly amend given title (5)
8 Picked to perform in the choir and took a prominent part (7)
9 Going round the world is a smashing opportunity for a girl to take in (6)
15 Pantry is apparently not yet full (3-6)
17 Gloomy supporters will, if their team's doing badly (9)
18 Mother goes to the country but it's no saving (9)
19 Bolts with a girl (7)
21 Tugmen out for a little spice (6)
23 Passionless disciple (5)
24 An accident to make light of (5)
26 Study I'm making of fabric (5)

Solution to Puzzle No. 5,944



APPOINTMENTS

Top posts at Davy McKee

Mr Robert C. Akroyd has been appointed managing director of DAVY McKEE (LONDON), Davy Corporation's principal petroleum and chemical engineering company, succeeding Mr Derek Markland, from March 1. Mr Akroyd is at present managing director of Davy McKee Nuclear at Stockton where he will be succeeded by Mr Ian O. Nichols. Mr Akroyd will remain a member of the Davy McKee Nuclear board.

★

PHILIPS ELECTRONICS has appointed Mr Kevin Kennedy as group managing director for its telecommunications and data systems activities in the UK. He joins from Honeywell where he was a director, and general manager of Honeywell Information Systems for the UK and Ireland.

★

SINTROM, Reading, has appointed Mr Chris King as sales director of Sintrom Electronics. He was sales manager. Mr Jim Carter becomes business development director of Perex. He was advanced development manager. Mr Eddy Lane has been appointed finance director of Perex, which he joined last June as financial controller.

★

WILLIAM GRANT AND SONS has appointed Mr Graham Beveridge as administration director. After 20 years with the company, mainly involved in American affairs, Mr Beveridge will be responsible for finance and data processing.

★

Mr John Carney has been appointed group financial director of PETROCON GROUP. He was formerly with Aaronite in a similar capacity.

★

LEE BEESLEY HOLDINGS has appointed Mr Alan A. Hook to the board as finance and administrative director at group headquarters, Coventry.

★

STEEL BROTHERS HOLDINGS has appointed Mr Peter Sechiari as an executive director. He has worked with the Rio Tinto-Zinc Group for the past 15 years, and will be responsible for the group's corporate development.

★

ROBSON RHODES has appointed Mr Graham Dewhirst from February 10 to head its corporate financial services in both Yorkshire and Manchester. He joins from Investors in Industry.

★

Mr Harvey Lipsith has been appointed managing director of ALLDERS INTERNATIONAL, a subsidiary of Hanson Trust. He remains a director of Allders and Allders Department Stores. Also joining the board of Allders International is Mr Fred Bennett who has been appointed director of buying and merchandise. He was director of fashion merchandise and buying at Allders Department Stores.

Mr John Quinton, deputy chairman of Barclays Bank, has been appointed hon treasurer and member of the board of BUSINESS IN THE COMMUNITY. Also joining the board is Sir Anthony Jolliffe, chairman of the Municiple Industries Group. Mr Robin Lingard, under secretary in the Department of Employment, has been appointed to the executive committee.

★

BURGOYNE ALFORD has appointed Mr Timothy J. Preston to the main board in his capacity as managing director, reinsurance division. Mr John L. Hazell has been appointed deputy managing director, building society division. Mr Mathew G. Sinster becomes director of Burgoyne Alford Insurance Services with responsibility for UK broking.

★

BELZONA MOLECULAR METALIFE has appointed as financial director, Mr Tony Hendry, who joined Belzona as assistant accountant in 1962.

★

Mr John H. G. Hensman, general manager and secretary of PRINCIPALITY BUILDING SOCIETY since 1977, retires in September. But will remain a director. His successor as chief executive will be Mr Gerald Mitchell, formerly assistant general manager, who joined the Society in 1971. A new executive team has been appointed: Mr Peter W. F. Laing, becomes deputy chief executive designate. He is assistant secretary (mortgages). Mr James W. Jamieson, has been made general manager (finance). He joined in 1979. Mr Eric R. Dipple, currently assistant secretary, will become secretary on Mr Hensman's retirement. He joined the Society in 1969. Mr John Mason becomes assistant general manager (management services). He was computer manager. Mr Glyn Taylor becomes assistant general manager (customer services). He was administration manager (investors accounts) Mr Haydn Warman has been made assistant general manager (mortgage services). He joined the Society last December from the Welsh Office (legal division). Mr Nigel D. Wright becomes assistant general manager (marketing and development). He was marketing development manager.

★

DOMINION SECURITIES PITFIELD has appointed Mr Alan Charles Line, Mr David Martin Faller, and Mr Philip Ralph John Harrod to its London trading operation. Mr Line has been named manager of equity trading and foreign exchange. He was a director of Quin Cope. Mr Faller becomes foreign exchange trader. He was at CitiBank. Mr Harrod has been made equity trader. He was at Quin Cope.

★

BROOK WALKER & CO. has appointed Mr David Bradley as managing director.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Magt Ltd
66 Cannon St, London EC4N 6AE Dlg. 01-236 3885

International Growth	122.8	131.4xd	+0.5	1.00
Income & Growth	47.8	50.9	+0.4	2.90
Special Situations	68.8	73.6	+0.2	2.10
American Growth	32.1	34.4	+0.3	3.10
Japan Growth	39.1	41.6	+0.5	0.00
European Growth	52.9	56.6xd	+0.5	2.90
UK Growth	45.9	49.1	+0.4	1.30
Pacific Growth	33.5	35.9	-0.1	0.70
High Income	28.9	31.0	-0.2	8.10
Practical Income Units	45.7	48.6	+0.2	2.70
Practical Accum. Units	82.1	87.4	+0.3	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd.	76.8	82.7	+0.6	2.79
Accum Units	113.6	120.8	+0.9	2.79
Pearl Inc.	102.8	109.4	+0.5	4.56
Pearl Unit Tst.	109.3	116.3	+0.9	3.59
(Accum. Units)	187.2	199.2	+1.6	3.59
Pearl Intl Equity	108.9	115.8	+0.6	1.73
(Accum Units)	108.9	115.8	+0.6	1.73

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	232.9	249.9	+2.9	1.30
Income	163.4	175.0	+1.7	5.25
Worldwide Recovery	130.3	139.9	+1.5	1.98
American Growth	65.0	69.8	-0.1	1.01
Intl Emerging Cos.	70.2	75.4	+0.8	0.67
Far East Growth Fd.	56.5	60.6	+0.3	1.12
European Growth Fd	47.9	52.4	+1.4	2.0

Prolific Unit Trusts
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc	52.2	55.5xd	+0.3	5.39
Prolific Far East	124.6	133.8	+0.4	0.27
Prolific Extra Inc.	71.6	75.9	+0.6	5.21
Prolific G'vert & Gilt	84.0	89.5	+0.5	7.04
Prolific High Inc	153.2	162.5	+1.0	4.49
Prolific Intl	93.9	101.0	+0.5	1.68
Prolific N. Amer.	129.8	139.6	+1.4	2.27
Prolific Spec. Sits	171.2	181.6	+1.3	0.97
Prolific Technology	109.1	117.3	+0.6	0.57

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc.	59.2	63.0	+0.8	0.00
Japan Acc.	59.3	63.1	+0.7	0.00

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	207.9	221.5	+0.2	2.17
(Accum. Units)	233.5	248.8	+0.2	2.17
(Withdrawal Units)	150.5	160.4	+0.1	2.17
Australian Fund	115.5	123.0	-1.0	0.94
(Accum. Units)	116.8	124.4	-1.0	0.94
British Fund	508.0	541.0	+2.4	4.43
(Accum. Units)	676.1	730.1	+3.3	4.43
European Fund	233.3	248.5	+2.0	0.99
(Accum. Units)	245.7	261.7	+2.1	0.99
Japan Fund	240.6	256.0	+2.0	0.39
(Accum. Units)	241.1	256.8	+2.0	0.39
Swiss PPP	143.6	151.2	—	—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst.	345.5	367.5	+3.5	2.56
North America	54.3	57.7	+0.3	1.81
Far East	58.2	61.9	+0.6	0.88

Sun Life Trust Mngmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc.	27.3	29.0xd	+0.4	1.7
American Income Acc.	27.3	29.6xd	+0.1	4.3
American Income Inc.	26.8	28.5xd	-	4.4
European Growth Acc.	42.5	45.2	-	1.90
Far East Growth Acc.	31.0	33.0	-	0.8
Int. Growth Acc.	28.9	30.7	-	0.8
Japan Growth Acc.	37.7	40.1xd	-	0.3
UK Growth Acc.	31.2	33.2xd	-	2.3
UK Income Acc.	27.5	29.3xd	-	4.3
UK Income Inc.	27.0	28.7xd	-	4.4
Managed Growth Acc.	33.9	36.1	-	2.1
Managed High Yield Inc.	32.8	34.9xd	-	6.7
Managed Income Inc.	28.8	30.6	-	4.1

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks 0732 450161

Equity Dist.*	238.9	252.7	-	3.89
Equity Acc.*	287.3	304.0	-	3.89
Fixed Int. Dist.†	112.8	116.8	-	11.58
Fixed Int. Acc.†	165.4	171.3	-	11.58

*Prices on Feb 3. Next dealing Feb 12
†Prices on Feb 5. Next dealing March 5

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	107.7	114.6	+0.5	1.09
Do Accum.	112.1	119.3	+0.5	1.09

INSURANCES

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INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

Lombard North Central PLC
17 Bruton St, W1A 3DH 01-409 3434
14-Day Notice ... 12.500 9.34 13.30 —

M & G/Kleinwort Benson
91-99 New London Rd, Chelmsford. 0245 51651
H.I.C.A. ... 12.00 8.92 13.37 Daily

Midland Bank plc
PO Box 2, Sheffield. 0742 20999 Ext 8655
High Int Cap Acc ... 11.71 8.75 12.93 Qtr
£10,000 + ... 12.04 9.00 13.30 Qtr

Oppenheimer Money Mgmnt Ltd
66, Cannon St, EC4N 6AE 01-236 1425
Money Mngt Acct ... 11.875 — — 3-Mth

Philips & Drew Trust Ltd
120 Moorgate London EC2M 6XP 01-628 9771
High Int Cap Acc ... 12.25 9.16 13.54 Qtr

Provincial Trust
30 Ashley Rd, Altrincham, Cheshire 061-928 9011
High Int Cap Acc ... 12.50 9.34 13.93 Mth

Royal Bank of Scotland plc
24 Lombard St, London EC3V 9BA 031-557 0201
Premium Account ... 12.15 9.08 13.42 Qtr

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB 0708 66966
H.I.S.A. ... 11.70 8.75 13.06 Daily

Tyndall & Co
29-33 Princess Victoria St, Bristol. 0272 732241
Demand Acc ... 12.35 9.23 13.66 Qtr
Money Acc ... 12.04 9.00 13.29 Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth *0705 827733*
Special Acc ... 12.00 8.97 13.36 Mth
Over £10,000 ... 12.25 9.16 13.64 Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL 1SE 0752 24141
High Int Cap Acc ... 12.69 9.48 14.02 Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Metal Closures	14
BOC Grp.	27	Midland Bk.	35
BSR	8	NEI	10
BTR	33	Nat West Bk.	55
Babcock	13	P & O Dfd	35
Barclays	33	Plessey	14
Beecham	30	Polly Peck	21
Blue Circle	50	Racal Elect.	15
Boots	18	RHM	12
Bowaters	50	Rank Org Ord	35
Brit Aerospace	32	Reed Intnl	60
Brit. Telecom	17	Sears	11
Brown (J.)	3½	TI	35
Burton Ord	45	Tesco	24
Cadburys	13	Thorn EMI	34
Charter Cons	18	Trust Houses	12
Comm Union	23	Turner Newall	9½
Courtaulds	13	Unilever	90
Distillers	36	Vickers	35
FNFC	12	**Property**	
Gen Accident	55	Brit Land	14
Gen Electric	14	Land Secs.	28
Glaxo	100	MEPC	26
Grand Met	30	Peachey	24
GUS 'A'	70	Samuel Props	15
Guardian	60	**Oils**	
GKN	20	Brit. Oil & Min.	3½
Hanson Tst	18	Brit Petroleum	45
Hawker Sidd.	36	Burmah Oil	27
ICI	42	Charterhall	4
'Imps'	16	Premier	5
Jaguar	27	Shell	55
Ladbroke	27	Tricentrol	18
Legal & Gen	60	Ultramar	18
Lex Service	24	**Mines**	
Lloyds Bank	35	Cons Gold	40
Lucas Inds	38	Lonrho	12
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

'Last chance' for cocoa agreement

BY WILLIAM DULLFORCE IN GENEVA

COCOA EXPORTING and importing countries have their last chance over the next three weeks to agree on a new International Cocoa Agreement, Mr Rene Montes, chairman of the United Nations Cocoa Conference, warned here yesterday.

Delegates and observers from some 70 countries were starting their fourth attempt since 1984 to work out a replacement for the current price-stabilising agreement which expires at the end of September.

Previous negotiations between cocoa producers and consumers have broken down over two key issues: the price level and the mechanism for adjusting prices.

Mr Montes said yesterday his preliminary contacts indicated that both sides had shifted their positions on the price level since the conference adjourned last March.

Producers who had previously sought a median price of 120 US cents a pound were now talking of 115 or even 110 cents. Consumers had lowered their median price target from 105 to 100 cents.

The figures compare with average daily prices of 109.4 cents for 1983-84 and 100.8 for 1984-85 calculated by the secretariat of the International Cocoa Organisation.

The gap between producers and consumers over price remains wide but Mr Montes said he had found both sides ready to negotiate.

On price adjustment Mr Amadou Traore of the Ivory Coast urged consuming countries to drop their demand for semi-automatic revision of prices during the year following market and currency fluctuations. This would be a fair response from the consumers to the producers' agreement to abandon their ideas for a quota system, Mr Traore suggested.

The Ivory Coast, currently the largest producer of cocoa beans, refused to joint the current agreement when it was negotiated in 1980, because it wanted the agreement to provide for greater predictability in prices and earnings.

Mr Richard Thomas of the UK, the consumers' spokesman, said no more in his opening statement than that consumers would work as constructively as possible for an agreement which would mutually benefit both sides.

The outlook for the cocoa negotiations in Geneva has been dimmed by the crisis in the tin market and growing doubts about the value of international commodity agreements in general. But Mr Montes insisted yesterday that there was no reason why recent experiences in tin should affect cocoa.

An essential difference was that the cocoa agreement did not allow the forward buying which had proved to be so fatal in operating the tin buffer stock, Mr Montes said.

Producers and consumers held separate caucus meetings yesterday and the conference will divide into committees today. February 28 is the deadline for achieving agreement.

Peruvian copper workers call off strike

WORKERS at Peru's leading copper producer, Southern Peru Copper Corporation, ended their strike and returned to work yesterday morning, reports *Reuter from New York*.

SPCC's 6,000 workers struck on January 27 over a pay demand. The company said workers have now accepted a second resolution issued by the Labour Ministry which had interceded in the dispute. He had no further details.

● Total non-Communist world stocks of all forms of aluminium excluding finished end products were 3.959m tonnes in December

Primary metal stocks were 2.184m tonnes against 2.218m and 2.594m respectively.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)

	(tonnes)
Aluminium	−3,775 to 210,000
Copper	−2,250 to 177,975
Lead	−2,775 to 65,600
Nickel	−114 to 6,402
Tin	[illegible]
Zinc	+1,000 to 40,375
	(ounces)
Silver	+1,008,000 to 44,456,000

MMB hits back at dairy trade

BY ANDREW GOWERS

THE MILK Marketing Board, the English and Welsh dairy farmer co-operative, yesterday hit back at independent dairy companies with a detailed rejection of their calls for the hiving-off of its commercial arm and for further rationalisation of its manufacturing capacity.

Sir Steve Roberts, the MMB chairman, told a Press conference that selling off Dairy Crest Foods, the commercial subsidiary, would reduce competition in the dairy industry, rather than enlivening it as the dairy companies suggest. He reiterated the MMB's assertion that the commercial operations were not for sale.

He also said that Dairy Crest had taken "immense steps" to rationalise its processing plants, with the closure of five cheese factories and the moth-balling of 20 per cent of its butter manufacturing capacity.

"The private trade has done nothing but talk about the need (for rationalisation) and the benefits they envisage for the producer," he said. "It is time for them to get their house in order. For a start, what about over-capacity in the liquid market where Board/producer involvement is very small?"

Sir Steve's comments marked the latest shot in what is becoming an increasingly acrimonious public dispute between the MMB and private dairy companies such as Express, Unigate and Northern Foods.

Slow start for new futures contracts

BY OUR COMMODITIES EDITOR

THE LATEST additions to London's family of futures contracts got off to a slow start yesterday.

The Baltic International Freight Futures Exchange's (Biffex) tanker freight futures contract—the first instrument of its kind, introduced to supplement the existing dry cargo contract—traded 121 lots on its first day. Meanwhile, volume in another new contract on the Baltic Exchange, in early potatoes, totalled only 21 lots.

Introduction of the tanker freight and early potatoes contracts followed the launch last Friday of a contract in beef futures, designed to suplement the Baltic markets in pigmeat and live pigs. That had a reasonably busy first day, trading 235 lots, but volume dropped yesterday to 56 lots.

Biffex traders appeared not to be surprised by the slow first day in tanker freight futures, which came against a background of deep uncertainty in the oil market. The futures quotations were well below the current level of the Baltic Tanker Index, reflecting expectations that oil prices—and with them, tanker rates—are set to fall further.

However, there was some speculation that the market fall yesterday was overdone, and that tanker rates would eventually pick up in response to a rise in oil stockpiling.

EEC price package angers farm unions

BY IVO DAWNAY IN BRUSSELS

Disunity is Strength—that could be the motto of European farmers' unions as once again they set abolt picking apart the austere proposals that make up this year's EEC farm prices package.

Ostensibly, the farmers' representatives are at one in their condemnation of the plan that broadly requires a freeze on the guaranteed prices that are paid for most products and a 3 per cent tax on cereals output.

Copa, the unions' umbrella body, lambasted the programme within hours of its publication, claiming that real falls in farmers' incomes demanded average price rises of at least 4.7 per cent. The outline scheme, it said, meant that for some cereals farmers incomes would fall by as much as 15 per cent and beef farmers faced total collapse.

Concluding with a shopping list of demands, Copa called for proposals on everything from socio - structural measures, to new action on less favoured areas, the environment, biotechnology, alternative technology and community preference. In other words, more cash and lots of it.

To this extent, at least, the unions are in agreement. But privately all are aware that defining Utopia is not the task in hand. When the issues are taken point by point national divisions swiftly emerge.

At one extreme are the French—the ultimate rejectionist front—which is committed to nothing less than a Fortress Europe farm policy, ready to bar imports and launch an aggressive export drive regardless of the ramifications for international trade.

The FNSEA, the main French union, will accept the co-responsibility levy on cereals, but only combined with strict measures against imported animal feed and moves such as a tax on vegetable oils. The alternative it argues is an end to the Common Agricultural Policy and the renationalisation of the CAP into protective national policies.

"It is a straightforward political choice," one official said yesterday.

Others—the West Germans for example—are not quite so militant or so gloomy. The German DBV is believed secretly to favour a policy of quotas for grains as the most equitable solution, a move strongly opposed by the French.

It also argues that the restructuring of support in favour of smaller farmers should alleviate the problems of farm incomes that in part motivated the CAP's creation and formed a major theme of last summer's Green Paper.

However, such a move would create bitterness in the British NFU, where officials argue their more efficient farmers should not be penalised by institutionalised Ludditism.

From a Mediterranean perspective, the debate has started at a tangent. Why, the Italians and Greeks argue, should their farmers pay for price cuts for fruit and vegetables when haemorrhaging spending is dominated by claims from temperate northern products such as dairy, grains and beef?

How then can these widely divergent views give farmers a powerful voice in the forthcoming negotiations? The answer lies in the political muscle they wield at home. In a year that promises crucial national and regional elections in France, the Netherlands and West Germany, the farmers can count on their ministers to adopt a strongly nationalistic line in the talks.

The nature of the farm debate and the intricacies of the trade-offs that it entails mean disunity is a spur to a less restrictive package. A concession to the German wheat farmers must in turn trigger a parallel improvement in the terms on offer, for example, to an Italian tomato grower.

Right now, the fraternal message shared by farmers' organisations is: "You twist your minister's arm, and I'll twist mine."

British fears confirmed

FARMER'S VIEWPOINT
By John Cherrington

THE PROPOSALS for 1986-87 EEC farm price support arrangements announced by the European Commission last week are much in line with the leaks that preceded them and have, as expected, been bitterly attacked, both by Britain's National Farmers' Union and by the Minister of Agriculture, for being discriminatory against UK farmers.

The proposals which have aroused the bitterest complaints have been those which seem to favour the smaller Continental farmer. Exemption from the coresponsibility levy for the first 25 tonnes of cereals sold per farm, for instance, would exclude about half the EEC's farmers from this tax, which is intended to contribute to the cost of disposing of surplus production, mainly through subsidised exports. The ewe premium would only be paid on the first 500 head in any flock, while for beef the premium (deficiency payment) and intervention buying would be replaced by a headage payment on the first 50 in any herd.

But speaking at Agra Europe's Agricultural Outlook Conference in London last week Mr Peter Pooley, deputy director of agriculture at the Commission, denied that the proposals were discriminatory. He claimed that the rules of the Community forbade discrimination but said nothing about selectivity. All farmers, he said, would get premiums for 50 cattle, whether they had 50 or 300. This principle would support the great majority of "real farmers on family units while not overrewarding much larger farmers."

Opening the conference Mr Michael Jopling, the UK Farm Minister, suggested that concern for the smaller farmer was really an extension of sicial policy and as such should be a national responsibility, not one laid on consumers and taxpayers through the Common Agricultural Policy. He also repeated that price restraint was, in his opinion, the only cure for overproduction. Mr Jopling may find he has few supporters in the Council of Agriculture Ministers, however. The majority of his fellow ministers will probably agree in this instance with the Commission—mainly because of the small-farmer elements dominant in their home constituencies.

But the core of the proposals is in what they would do to farm output prices. In this respect Mr Jopling should be happy because, by my reading, they will certainly reduce them.

Take cereals first. A 3 per cent coresponsibility levy is proposed for gain sales. It is not clear yet if it would be paid by the farmer or the buyer, though it will most probably be the former, if the milk coresponsibility levy is anything to go by. At 3 per cent the levy would amount to a minimum of £3.30 a tonne.

Then the opening of intervention buying would be put back by four months—from August to December. This would seriously affect farmers who have to sell early for financial or other reasons (lack of storage space for instance). According to the Ministry's grain movement statistics the bulk of UK intervention offers and sales take place by the end of November. Under the proposals there would be no support in the market for the early post-harvest months.

In addition there is a proposal for intervention standards to be tightened. The minimum specific weight for wheat would be raised by 5.8 per cent and that for barley by 6.25 per cent. Allowable moisture content would be reduced to less than 14 per cent. Specific weights being a climatically-induced factor, had these standards been in force during last year's harvest very little UK grain would have been accepted into intervention stores. Moisture content, however, can be controlled by the farmer's drier.

Further criteria are proposed which will, as far as can be understood, mean that only wheat of milling quality would be accepted. These include a protein standard and Hagberg (millability) and machinability tests. Offers would be graded and total deductions could amount to £5 a tonne, while some grain could be rejected outright. The sum of all these criteria could, according to the NFU, mean a fall in returns from grain of about 12 per cent, or £30 an acre on an average wheat crop.

The main concern for British farmers is the post-harvest grain market. Should there be a better yield than last year's there could well be 4m or 5m tonnes more grain to be disposed of than in 1985, when 2m tonnes of wheat and barley were sold in to UK intervention. That would place immense pressure on the market, aggravated by the effects of the new standards and export prospects would be minimal.

The loss of the beef premium would only be partly recouped from the headage payments, while the removal of intervention buying would do nothing for farmer's confidence in the long term planning needed in beef production. The same "small is beautiful" policy of restricting the ewe headage premium to the first 500 head in a flock would mainly affect UK lowland farmers.

The only part of the package likely to reduce the build up of surplus mountains is the proposed buy out of up to 3 per cent of milk quota. But it is questionable if many UK dairy farmers would sell voluntarily, as the other options for land use are threatened by the new moves.

The whole thrust of the new proposals does justify the fears expressed by farmers and the Minister that they are discriminatory against UK interests. They are unlikely to persuade many farmers to produce less because containing fixed and variable costs in a falling market can only be achieved through increasing output. For individual farmers to cut back production in these circumstances is the road to financial disaster.

LONDON MARKETS

THE REVIVAL in coffee futures prices which began a week ago was maintained yesterday as the May position put on another £55 to £2,557.50 a tonne. May coffee has now recovered £350 of the £1,000 it lost in a reaction against the rise which peaked in early January. Dealers said the London market was basically featureless yesterday with virtually all the upward impetus coming from the New York market. The cocoa market, which last week fell to the lowest level since early December, lost further ground yesterday as sterling firmed. But nearby values finished off the lows with the May position closing at £1,669 a tonne, down £5.50 on the day. On the London Metal Exchange aluminium prices declined on disappointment at the International Primary Aluminium Institute's December stocks figures, which showed a smaller decline than had been expected. Cash aluminium ended the day £15.50 down at £789 a tonne. LME prices supplied by Amalgamated Metal Trading.

INDICES

FINANCIAL TIMES

Feb. 7	Feb. 6	M'th ago	Year ago
—*	—*	—*	299.62

(Base: July 1 1952=100)

REUTERS

Feb. 10	Feb. 7	M'th ago	Year ago
1841.1	1850.6	1863.1	2020.0

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Feb. 7	Feb. 6	Month ago	Year ago
Spot	128.30	128.22	—	121.46
Fut.	128.23	127.04	—	125.01

(Base: December 31 1931=100)

* Not available due to suspension of tin LME

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Feb. 10 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1170/180	—10	$1220/240
Copper			
Cash h Grade	£996	+1.5	£988.5
3 mths	£1024.75	+1.5	£1014.75
Gold Troy oz	$340	—3.5	$341
Lead Cash	£259.75	+1.25	£257.5
3 mths	£269.5	+1.25	£267.37
Nickel			
Free Mkt	178/198c	+3	186/208c
Palladium oz	$99.35	+1.7	$102.00
Platinum oz	$363.00	+6.45	$358.80
Quicksilver†	$220/238		$220/240
Silver troy oz	422.65p	+4.15	422.65p
3 months	435.00p	+4.4	435.50p
Tin cash	‡		‡
3 months	‡		‡
Tungsten	$65.62		$65.92
Wolfram 22.04lb	$56/63		$53/61
Zinc	£439	—11.5	£445
3 months	£436.5	—14.75	£456.5
producers	$660/700		$660/700
OILS			
Coconut (Phil)	$337.5		$405
Palm Malayan	$310y	—5	$370
SEEDS			
Copra Phil	$225	—10	$255
Soyabean (U.S.)	$224		$225.5
GRAINS			
Barley Fut. May	£116.50	—0.50	£115.30
Maize	£148.00y		£142.00
Wheat Fut. May	£119.50	—0.25	£115.60
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1669	—5.5	£1722
Coffee Ft. May	£2557.5	+55	£2617.5
Cotton A Index	54.75c	+0.1	51.25c
Gas Oil Mar.	$177.75	+4	[illegible]

ALUMINIUM

	Unofficial close p.m. £ per tonne	+ or —	High/low
Cash	795.5-9.5	—15.5	791/790
3 months	816.5-7	—14.75	833/812

Official closing (am): Cash 790.5-1 (794-.5), three months 820-1 (823-.5), settlement 791 (794.5). Final Kerb close: 812.5-13.

Turnover: 31,400 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or —	High/low
Cash	995.5-6.5	+1.5	998.5/998
3 months	1024.5-5	+1.5	1027/1025

Official closing (am): Cash 995.5-6 (994-.5), three months 1025-6 (1023-4), settlement 996 (994.5). Final Kerb close: 1023-23.5.

LEAD

[illegible]

NICKEL

[illegible]

ZINC

[illegible]

GOLD

[illegible]

SILVER

[illegible]

GRAINS

[illegible]

MEAT

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

FREIGHT FUTURES

[illegible]

POTATOES

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

COTTON

[illegible]

RUBBER

[illegible]

US MARKETS

PRECIOUS METALS traded modestly lower reflecting scattered selling based on renewed weakness in energy values, reports Heinold Commodities. Copper came under pressure on reports that the strike in Peru had been settled. Aluminium moved lower on speculative selling linked to the lack of cash interest. Sugar showed slight losses on light commercial hedge lifting following recent purchases. Cocoa firmed on arbitrage buying linked to sterling weakness. Coffee gained ground on high producer asking prices, particularly from Brazil. Cotton traded steady to firm as speculation continued over the 1986 cotton programme. Energy prices came under renewed selling pressure on reported cuts by Venezuela in their heavy crude price.

NEW YORK

[illegible]

CHICAGO

[illegible]

OIL

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls below Y190

The dollar fell to a seven-year low against the yen on the foreign exchanges yesterday, but after losing ground in Tokyo declined only gradually in Europe, to close near the day's lows. The market was thin in the Far East, because several centres were closed for the Chinese New Year, and Tokyo is closed for a national holiday today. Japanese dealers appeared ready to sell the dollar, in expectation of further weakness to correct the trade imbalance between the US and Japan. Elsewhere the dollar gained only little support from Friday's court ruling that the Gramm-Rudman-Hollings Balanced Budget Law is unconstitutional, which may lead to higher US interest rates, and from good US unemployment figures.

The dollar fell to Y188.15 from Y190.85, the lowest level since November 1978, and also weakened to DM 2.3855 from DM 2.4020; FFr 7.31 from FFr 7.36 and SFr 2.0060 from SFr 2.0285.

On Bank of England figures its index fell to 122.4 from 123.3.

STERLING — Trading range against the dollar in 1985-86 is 1.4885 to 1.0525. January average 1.4248. Exchange rate index fell 0.3 to 74.1, compared with 80.7 six months ago.

Sterling was supported by higher prices for North Sea oil, as a result of the colder weather in Europe and the US. The pound opened firm against a weakening dollar, and traded steadily above $1.40 for most of the European day. It was depressed against most other major currencies, reacting to the division within the Government about Westland and other issues, and adverse press comment about Mrs Margaret Thatcher's position as Prime Minister over the weekend.

Sterling gained 90 points to $1.4080-1.4090, but fell to DM 3.36 from DM 3.3625; FFr 10.29.50 from FFr 10.30; SFr 2.8250 from SFr 2.84; and Y265 from Y267.

D-MARK — Trading range against the dollar in 1985-86 is 3.4518 to 2.3790. January average 2.4392. Exchange rate index 132.2 against 125.8 six months ago.

The D-mark strengthened against the dollar, after the US currency had been sold down to a seven-year low against the yen in Tokyo. Trading in Frankfurt was thin, ahead of today's Carnival celebrations, which will close banks early. Banks in Dusseldorf were closed yesterday. There were no new factors to influence the market, but sentiment remained bearish for the dollar, after the US currency failed to gain ground on Friday's good US unemployment figures. The Bundesbank did not intervene when the dollar was fixed at DM 2.3891 in Frankfurt, compared with DM 2.3972 on Friday. At the Frankfurt close the dollar had fallen to DM 2.3865 from DM 2.4066.

JAPANESE YEN — Trading range against the dollar in 1985-86 is 263.15 to 188.15. January average 199.95. Exchange rate index 187.1 against 157.6 six months ago.

The yen remained strong against the dollar in thin Tokyo trading. The US currency fell to Y189.50 during normal trading hours, the lowest level since November 1978, and closed in Tokyo at Y189.90, compared with Y190.85 on Friday. After hours the dollar was reported to have traded at Y189.30. The market was quiet, with Singapore and Hong Kong closed for the Chinese New Year. These centres will remain closed today, and a public holiday will also shut banks in Tokyo. Trading was featureless for most of the day, but dealers were encouraged to go short of the dollar in late trading, in the belief that the currency will continue to fall against the yen, after it failed to respond to good US unemployment figures on Friday.

£ IN NEW YORK

Close	Feb. 10	Prev. close
£ Spot	$1.4065-1.4075	$1.3950-1.3970
1 month	0.52-0.50pm	0.52-0.50pm
3 months	1.57-1.53pm	1.60-1.57pm
12 months	5.15-5.05pm	5.32-5.22pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

Feb 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.3950-1.4105	1.4080-1.4090	0.52-0.49c pm	4.30	1.57-1.52pm	4.38
Canada	1.9570-1.9782	1.9670-1.9712	0.13-0.04c pm	0.52	0.52-0.37pm	0.90
Nethlnd.	3.77¼-3.80½	3.79½-3.80½	2⅛-1⅞c pm	6.33	8½-6¼pm	5.65
Belgium	68.40-68.80	68.70-68.80	15-7c pm	1.92	33-18pm	1.49
Denmark	12.32-12.37	12.36-12.37	5⅛-4ore pm	4.50	14½-12⅞pm	4.44

FINANCIAL FUTURES

Firmer trend

Prices rose on the London International Financial Futures Exchange yesterday, although in the case of dollar denominated interest rate contracts prices finished little changed from opening levels. The strong early trend on Liffe was a continuation of the recovery begun in Chicago on Friday, after Treasury bond futures held above chart support levels. The prospect of an appeal against a US court ruling on the Gramm-Rudman-Hollings Balanced Budget Law, was another positive factor. The court decision that the Law was unconstitutional had earlier led to selling, following a fall in US unemployment, which was seen as a setback to hopes of lower US interest rates.

The Federal open market committee meets today, and on February 19 Mr Paul Volcker, chairman of the Federal Reserve Board, will put before Congress the guidelines for US monetary policy in 1986. After recent economic figures, and the fall of the dollar, this is not expected to involve an early discount rate cut.

March Treasury bonds opened at 84-28, and also closed at that level, compared with Friday's finish of 84-13. Eurodollars for March delivery began trading at 91.93 and closed at 91.92, against the previous settlement of 91.88.

Long gilt futures rose strongly. This was initially the result of a bear squeeze, where traders were forced to cover short positions, but then continued to gain ground as the pound held above $1.40 on the foreign exchanges, and the cold weather in Europe led to a rise in the price of North Sea oil on the European market.

Prices of three-month sterling deposit futures reacted to similar factors, and to the slight easing of interest rates on the London money market.

March gilts touched a high of 110-12 and closed at 110-09, compared with 109-08 on Friday.

CURRENCY MOVEMENTS

Feb. 10	Bank of England Index	Morgan Guaranty Change %
Sterling	74.1	−17.2
U.S. dollar	122.4	+12.4
Canadian dollar	79.7	−11.8
Austrian schilling	133.5	+6.6
Belgian franc	93.4	−8.6
Danish Kroner	84.1	−2.1
Deutsche mark	132.2	+12.9
Swiss franc	152.8	+15.4
Guilder	121.7	+7.9
French franc	70.7	−10.6
Lira	45.7	−18.4
Yen	187.1	+37.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4085	1.4035	1.3931	1.3791	1.3573

IMM—STERLING $e per £

	Latest	High	Low	Prev
March	1.4005	1.4025	1.3980	1.3895
June	1.3865	1.3875	1.3815	1.3736
Sept	1.3710	1.3710	—	1.3585
Dec	1.3600	1.3800	—	1.3475

STERLING INDEX

	Feb 10	Previous
8.30 am	74.2	73.8
9.00 am	74.0	74.0
10.00 am	74.1	74.2
11.00 am	74.1	74.2
Noon	74.1	74.3
1.00 pm	74.0	74.2
2.00 pm	74.1	74.4
3.00 pm	74.1	74.3
4.00 pm	74.1	74.4

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.2989	−1.19	+1.21	±1.5430
Danish Krone	8.12857	7.96536	−2.01	−2.03	±1.6421
German D-mark	2.23840	2.16658	−3.22	−0.91	±1.1463
French Franc	6.86402	6.63757	−3.30	−0.42	±1.3654
Dutch Guilder	2.52238	2.44733	−2.98	−0.65	±1.5162
Irish Punt	0.72569	0.714775	−1.50	+0.98	±1.6673
Italian Lira	1520.60	1473.98	−3.07	−2.09	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

London rates slightly easier

Interest rates were slightly easier on the London money market yesterday, following higher North Sea oil prices, and a better performance by the pound against the dollar. Three-month interbank fell to 12½-12⅜ per cent from 12⅝-12½ per cent, and discount houses buying rate for three-month eligible bank bills to 12⅜ per cent from 12½ per cent.

The Bank of England forecast a money market shortage of £600m, and provided total help of £567m.

Before lunch the authorities bought £222m bills outright, by way of £2m bank bills in band 1 at 12⅜ per cent; £119m bank bills in band 2 at 12⅜ per cent; £51m bank bills in band 3 at 12⅜ per cent; and £50m bank bills in band 4 at 12⅜ per cent.

In the afternoon another £280m bills were purchased, through £76m bank bills in band 1 at 12⅜ per cent; £74m bank bills in band 2 at 12⅜ per cent; £79m bank bills in band 3 at 12⅜ per cent, and £51m bank bills in band 4 at 12⅜ per cent.

Late assistance of around £65m was also provided.

The Bank of England also announced that the new one-month rate applicable to temporary facilities, first supplied on January 10, and rolled over yesterday, was 12½ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £667m, with the unwinding of repurchase agreements absorbing £386m. These outflows were partly offset by Exchequer transactions adding £150m to liquidity, a fall in the note circulation of £235m, and bank balances above target by £40m.

In Frankfurt call money fell to 4.40 per cent from 4.45 per cent in comfortable credit conditions. Banks are believed to be ahead in their anticipated reserve requirements at the Bundesbank of around DM 50bn. Banks were invited on Friday to tender for funds under a 27day securities repurchase agreement at a fixed rate unchanged at 4.50 per cent. This was a further sign the German central bank is not following Japan in lowering interest rates, and intends to hold rates steady at present. The tender will be tomorrow, and with conditions fairly liquid the Bundesbank may allocate slightly less than the DM 11.1bn draining from the market on Thursday, when a similar agreement expires.

UK clearing banks base lending rate 12½ per cent since January 9

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9⅛
Fed funds	7⅞
Fed funds at intervention	—
Treasury Bills & Bonds	
One month	7.09
Two month	7.26
Three month	7.47
Six month	7.54
One year	7.55
Two year	8.11
Three year	8.22
Four year	8.48
Five year	8.59
Seven year	8.97
10 year	9.14
30 year	9.30

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb. 10)

Three months U.S. dollars		Six months U.S. dollars	
bid 8	offer 8 1/8	bid 8	offer 8 1/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on February 10, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on US dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985/86 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99½	96¼	Treas. 10pcCnv 1986	99½	–⅛	10.05	12.63
98	92¾	Treas 3pc 1986	98	+¼	3.06	10.71
100	97½	Exch. 10½pc 1986	99⅞	+⅛	10.56	12.55
101¾	99¾	Treas 12pc 1986	99⅞	+⅛	12.02	12.39
98¼	94¼	Treas 8¾pc 1984-86‡‡	98⅛	+⅛	8.61	11.87
105⅛	100½	Exch. 14pc 1986	101	+⅛	13.86	12.35
95¾	87¾	Exch. 2½pc 1986	95⅝	+⅛	2.61	8.41
104⅞	100⅝	Exch. 13¼pc 1987	100⅞	+⅛	13.13	12.13
99⅞	96⅝	Treas 10¼pcCv '87	98⅜	+⅛	10.43	12.17
93¾	85½	Exch 2½pc 1987	93⅝xd	+⅛	2.67	9.10
100⅛	96⅛	Exch. 10½pc 1987	98⅜	+⅛	10.68	12.13
95⅛	89	Funding 6½pc '85-87‡‡	94¾	+⅛	6.86	11.21
99⅞	95½	Treas. 10pc 1987	97¾	+⅛	10.24	11.94
92¾	84¾	Treas 3pc 1987	91⅝	+⅛	3.27	9.29
102⅞	99⅝	Treas. 12pc 1987	100⅛	+⅛	11.98	11.82
95⅛	90¼	Treas 7¾pc 1985-88‡‡	94⅛	+⅛	8.24	11.20
100⅛	95¼	Exch 10½pc '88	97⅞	+⅛	10.72	11.56
98¼	93¼	Treas 9¾pc Cv '88	96⅛	+⅛	10.12	11.57
87¼	80	Transport 3pc '78-88	87⅛	+⅛	3.45	8.97
97¼	91½	Treas. 9½pc '88	95¼xd	+⅛	9.99	11.63
102¾	97½	Treas 11½pc 1989	99⅞xd	+¼	11.52	11.58
97⅛	90¼	Treas 9½pc Cnv. '89	94¾xd	+⅛	10.04	11.55
84⅞	79	Treas 3pc 1989	83½	+¼	3.59	8.95
99¾	94	Treas 10½pc 1989	97⅛	+¼	10.80	11.52
98¼	92	Exch 10pc 1989	95⅞	+⅛	10.45	11.55
101⅛	95	Exch 11pc 1989	98⅛	+⅛	11.19	11.56
86¾	79	Treas 5pc 1986-89	85¾	+¼	5.86	9.83
99	95	Exch 10¼pcCv '89	96⅞	+⅛	10.60	11.33
108⅞	103¼	Treas 13pc 1990‡‡	104⅞	+¼	12.40	11.43
101¾	96⅞	Exch 11pc 1990‡‡	98¾xd	+¼	11.14	11.40
108¾	100¼	Exch. 12½pc 1990	103⅛	+⅛	12.10	11.46
81⅛	75¼	Treas. 3pc 1990	80¼	+¼	3.74	8.71
93¾	87¾	Treas 8¼pc 1987-90‡‡	90⅞	+⅛	9.12	11.07
101¼	91⅞	Treas. 10pcCv 1990	94⅞	+⅛	10.56	11.47
77⅛	76¾	Exch 2½pc 1990	77⅛	+⅛	3.24	8.43
108¾	97¾	Treas 11¾pc 1991	101¼	+⅛	11.60	11.40

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

هكذا اصم الأصل

هكذا عن الأصل

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
120	48	Cally Res Corp.	67	+7	—	—	—
550	175	Cons. Murch. 10c	225	-25	Q40c	3.9	‡
40	24	Ennex Int. Ir10p	29	-1	—	—	—
123	70	Greenwich Res	73	.....	—	—	—
215	115	Hampton Areas 10p	125	-2	3.75	0.9	4.0
260	135	Highwood Res	230	+15	—	—	—
£22½	£15¼	Homestake Mining $1	£17½	.....	Q20c	—	0.8
310	155	McFinley Red Lake	210	+10	—	—	—
335	195	Musto Explorations	255	+10	—	—	—
55	23	New Sabina Res C$1	43	-1	—	—	—
375	195	Northgate C$1	225	-5	—	—	—
685	507	RTZ	579	+14	†20.0	2.8	4.9
£145½	£114½	Do. 9½pcLn '95-2000	£125	+½	Q9½%	14.0	(7.7
980	800	Tara Expln $1	995	+10	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- "Tap Stock".
- Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- Not officially UK listed; dealings permitted under Rule 535(4)(a).
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Dealt in under Rule 535(3).
- Price at time of suspension.
- Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress.
- Not comparable.
- Same interim; reduced final and/or reduced earnings indicated.
- Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. R Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	102	.....	Fin. 13% 97/02	£106¾	+⅛
Craig & Rose £1	850	.....	Arnotts	235	.....
Finlay Pkg. 5p	46	.....	CPI Hldgs	66	.....
Holt (Jos) 25p	720	.....	Carroll Inds.	148	.....
IoM Stm. £1	55	+3	Dublin Gas	52	-3
			Hall (R. & H.)	63	+2
IRISH			Heiton Hldgs.	25	+1
Fund 11¾% 1988	£97¾	.....	Irish Ropes	52	.....
Nat. 9¾% 84/89	£93½	.....	Unidare	130	.....

"Recent Issues" and "Rights" Page 38
(International Edition Page 42)

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jan 27	Feb 6	Feb 7	Feb 17
Feb 10	Feb 20	Feb 21	Mar 3
Feb 24	Mar 6	Mar 7	Mar 17

* "New-time" dealings may take place from 9.30 am two business days earlier.

FT equity indices hit record levels and Gilts also rise strongly

The new trading Account started off in sparkling form yesterday. After lagging behind recently in the race to record levels, the FT-SE 100 Share Index surged forward 16.5 to an all-time high of 1461.5 — the narrower-based FT Ordinary Share Index also achieved a peak 1195.3 — and Government bonds rose strongly to close over a point higher. Another feature was the continued high level of activity in both share and bond markets.

The idea that lower oil prices were not necessarily a bear point for the UK encouraged the new investment and there were other motivating influences. Hopes remained high of taxation cuts in next month's budget, while the more remote chance of a reduction in the duty on share trading also had some appeal. There appeared to be no shortage of funds, although applications for Welcome shares attracted a massive £4.5bn and the issue was oversubscribed 17 times.

Institutional and private investors concentrated on selected blue chips and a range of so-called situation issues. Any stock considered a takeover target prospered, being helped by early news that textile group Coats Patons, which only two weeks ago agreed merger terms with Dawson International, had changed allegiance to Vantona Viyella. The latter's well-sign-posted and agreed offer raised Coats Patons 9 to 247p, while Vantona, which also revealed better-than-expected preliminary results, settled 12 down at 438p. Dawson rebounded 10 to 218p.

Property shares also claimed considerable attention. Speculation that Trafalgar House was ready to pounce on MEPC refused to subside despite the latter's denial of a bid approach. MEPC were a contender for the day's most active stock and closed 14 up at 312p. Trafalgar House advanced 13 to 322p.

A lively Gilt-edged sector soon adjusted to its new trading format — all maturities, including Corporation and Bulldog stocks, are now quoted clean of accrued interest. Sterling's further improvement against the dollar generated domestic and overseas demand and prices were quick to respond in a market showing distinct signs of stock shortages. The upturn augured favourably for the debut later this week of the new tap stock. Applications for Treasury 10 per cent 1993, payable £20 on subscription at a minimum tender price of £94, must be submitted by 10 am tomorrow.

CU below best

Composites took last Friday's speculative gains a useful stage further and most closed at, or very near, new peak levels. Perennial bid favourite Commercial Union raced up to 272p, amid rumours that US arbitrageur Ivan Boesky had acquired a 3 per cent stake in the company, before closing 10 better on balance at 270p. Royals, still drawing strength from a broker's recommendation, advanced 20 more to 828p, while improvements of 15 and 17 respectively were recorded in GRE, 790p, and General Accident, 765p. Sun Alliance moved up 7 to 610p, after 613p.

Sporadic profit-taking after last Friday's jump of 64 which greeted news of the sale of its troubled US subsidiary Crocker National to Wells Fargo, left Midland 6 off at 486p. Other clearers drifted lower with Lloyds also closing 6 off at 486p and NatWest 5 down at 678p.

Distillers, at 612, lost 8 of last Friday's gain of 15, as investors awaited the next development in the prolonged takeover situation. Argyll, currently in the ascendancy following the revised terms revealed last Thursday, hardened 4 more to 342p, while rival suitors Guinness improved 7 to 285p, a rise largely attributable to bear closing.

Buyers showed selective interest in the Building sector. Blue Circle maintained a firmer trend and edged up 6 more to 546p, while Press mention stimulated further activity in Geo. Wimpey, up 3 at 150p. Federated Housing, also the subject of week-end mention, advanced 7 to 68p. Costain advanced 16 to 488p; the company announced yesterday the proposed acquisition of Denver based Nicor Mineral Ventures of the US.

GUS feature

Leading Retailers opened the new trading Account in the same buoyant mood as the previous one finished. Investors were again heartened by the prospect of a reduction in personal taxation in the forthcoming Budget and gains extended well into double-figures. Great Universal Stores were outstanding at £10¼, up just over a point, while the more widely-traded A shares advanced 48 to 800p xd amid revived enfranchisement hopes. Woolworth improved 23 to 490p, while Marks and Spencer, 180p, and Sears, 119½p, both hardened around 5. Burton were quoted 7 higher at 268p ex the 1-for-1 scrip issue. Storehouse, still aided by the upgrading of brokers' forecasts, put on 10 more to 325p.

Secondary Stores also provided a long list of noteworthy movements. Revived takeover speculation lifted Executex Clothes 13 to 93p, and Martin Ford 3 to 60p. Automagic added 4 to 76p, after 78p, in response to the interim figures. Press mention lifted Blanchards 12 to 117p, and Austin Reed A 6 to 146p.

Thorn EMI rose 13 to 417p following Press speculation that the group is to sell its heating division to Myson; the company announced yesterday the restructuring of its high-tech interests. Elsewhere, the recent high-flying Amstrad moved up 6 more to 292p in anticipation of today's interim results, while Chloride reflected Press comment with an improvement of 3 at 50p. D.J. Security Alarms put on 5 to 85p ahead of today's preliminary figures and revived speculative demand left Electronic Machine 8½ to the good at 62p xd. Sound Diffusion were also wanted at 46p, up 5, but the volatile Acorn Computers reacted from an initial firm level of 88p to close a net 2 cheaper on balance at 76p.

Once again, interest in the Engineering sector centred around the secondary issues. Weekend Press mention left Rotork 14 higher at 133p, A. Lee, 3 dearer at 52p, and Neepsend, 4½ to the good at 25½p, while Brooke Tool responded to a newsletter recommendation with a gain of 3½ at 33p xd. Demand persisted for Babcock, 3 higher at 189p, and Desoutter, 10 up at 215p, while Deritend hardened 3 to 200p on the announcement that Carclo had increased its stake in the company to 7.4 per cent. Wire and Plastic were noteworthy for a gain of 19 at 355p.

United Biscuits rose 6 to 234p following Press speculation that the group could attract an overseas bid if the authorities refer the proposed merger with Imps to the Monopolies Commission. Elsewhere in Foods, S. and W. Berisford firmed 5 afresh to 157p on further buying ahead of the annual figures scheduled for February 24, while Bernard Matthews reflected demand in a thin market with a rise of 40 at 565p.

In Hotels, Grand Metropolitan found support at 400p, up 8. Aberdeen Steak Houses rose 7 to 66p with the help of call option activity.

Metal Box good

Leading miscellaneous industrials recorded useful gains with Metal Box outstanding at 675p, up 35, on persistent buying. Reckitt and Colman were again supported and put on 11 more to 706p, while Reed International advanced 14 to 719p. Glaxo firmed 10 to 870p, but Beecham resisted the firmer trend at 350p, down 5. Elsewhere, BTR bid hopes continued to sustain Bestobell, 8 to the good at 245p, while Wolseley-Hughes gained 18 to 468p on a report that the company is set to acquire Grovewood Securities. Press mention left Fisons 11 dearer at 475p. Rank Organisation, reflecting renewed investment demand, closed 14 higher at 517p. Staffordshire Potteries advanced strongly to close 20 dearer at 94p on bid hopes stimulated by talk that a large stake had changed hands. Coloroll advanced 11 to 170p following the announcement that the company had increased its stake in its US subsidiary EDC Industries. Further speculative demand left Dwek Group 8 higher at 48p, while Duport hardened 2 more to 74p following a newsletter recommendation.

Among quietly firm Leisure issues, Campari rose 5 to 46p following revived speculative demand.

Jaguar, one of the day's outstanding performers, raced ahead to close 38 higher at a record 473p following aggressive US demand and heavy turnover in traded options. BL, a volatile market last week following the Ford/Austin Rover and General Motors/BL Truck revelations revived strongly with a 10 gain to 46p. Elsewhere in Motors, Lex advanced 12 to 302p, after 304p.

Press comment highlighting the company's property assets potential stimulated fresh support of Associated Newspapers which advanced a half-point to £10½; the shares will be quoted ex the three for one scrip issue from February 24. Other Publishers also made headway, notably Home Counties, in receipt of a favourable mention, which touched 140p before settling a net 16 to the good at 136p. Elsewhere, revived takeover chatter lifted DRG 12 more to 237p, while buyers displayed enthusiasm for BPCC, 4 up to 228p, and Bunzl, 15 higher at 518p. Goodhead Print, interim figures expected next Monday, rose 13 to 110p.

Land Securities, 3 dearer at 299p, moved higher in sympathy with the strength of MEPC in Properties, while British Land closed a similar amount better at 161p and Great Portland Estates 6 up at 164p. Estate agents attracted a good demand on revived takeover speculation with Mann & Co closing 16 up at 260p, after 264p, and Connells 7 to the good at 202p. Hanover Investments rose 8 to 148p in sympathy. Perennial takeover favourite Land Investors gained 3 to 63p.

Tootal, mentioned as a possible takeover target for Vantona Viyella, dipped 2½ to 84½ following the latter's proposed merger with Coats Patons. Other Textiles, however, made progress with Burmatex 8 up at 134p in front of today's preliminary figures. Press comment lifted Tomkinsons 5 to 240p, while David Dixon opened sharply higher at 280p and settled for a net gain of 5 at 285p.

Hopes that Hanson Trust's offer will receive the go-ahead from the Office of Fair Trading prompted another lively business in Imps which advanced to a new 1985-86 peak of 275p before reverting to unchanged at 269p. Rothmans continued to find favour and put on 4 more to 150p, after 154p.

Oils up again

The continuing bad weather in Europe gave a further boost to oil prices, and helped oil shares extend Friday's good rally. BP, scheduled to report annual results on February 20, rose a further 10 to 563p and Shell moved up 8 to 675p. Britoil and Enterprise Oil edged up 3 apiece to 193p and 138p respectively. Ultramar attracted good support following weekend Press comment and closed 14 to the good at 216p while vague bid rumours continued to direct attention to Tricentrol which rose 4 to 143p. Takeover speculation also helped IC Gas which added 10 to 300p.

Talk of a US listing in the near future lifted recently-volatile Polly Peck 13 to 161p, after 165p. Inchcape, on the other hand, reacted 17 to 388p after adverse comment and suggestions of brokers' "sell" recommendations in the offing.

Golds better

A firm showing by the bullion price in the US on Friday evening and throughout yesterday in London brought a halt to the recent decline in South African mining issues. Bullion eventually settled a net $3.50 firmer at $340 an ounce. Gold shares opened on a firm note, reflecting US support late on Friday, and continued to edge higher during the day mainly on sustained buying interest from Johannesburg.

Underlying sentiment in the sector was buoyed by the continuing appreciation in the Rand against the dollar despite the current political uncertainty in the Republic.

The Gold Mines index, down 22.9 over the previous four sessions, picked up to close 6.3 higher at 328.3, despite a number of the constituents being quoted "ex" the January dividends.

UK-domiciled Financials drew strength from the sustained advance by London equities. Rio Tinto-Zinc gradually improved to show a closing gain of 14 at 579p while Consolidated Gold settled 7 up at 479p.

A decline in the Australian dollar against sterling worked against "down-under" mines which tended to drift in quiet trading. In the Golds, Central Norseman gave up 15 to 323p, while falls of 5 were common to Gold Mines of Kalgoorlie, 435p, and Poseidon, 133p. Thames Mining, on the other hand, attracted good buying interest following a newsletter recommendation and rose 2½ to 18½p with the Options a penny firmer at 8p.

Traded options

Active conditions continued to prevail in Traded Options. Total contracts struck amounted to 19,883—15,352 calls and 4,531 puts. Imperial Group were again lively with 2,860 calls and 809 puts done. Operators also displayed renewed interest in Commercial Union and Lonrho positions which contributed 1,182 and 1,083 calls respectively. The long Gilt option was also in demand with 826 calls transacted — 522 of which were done in the May 106 series.

FINANCIAL TIMES STOCK INDICES

	Feb. 10	Feb. 7	Feb. 6	Feb 5	Feb. 4	Feb. 3	year ago
Government Secs	82.24	81.49	81.75	81.81	81.15	80.89	78.36
Fixed Interest	87.41	87.30	87.26	87.13	86.82	87.17	83.50
Ordinary ♥	1195.3	1187.7	1171.7	1163.1	1163.9	1156.3	991.1
Gold Mines	328.3	322.0	327.8	330.4	338.2	344.9	470.8
Ord. Div. Yield	4.34	4.37	4.41	4.44	4.44	4.46	4.34
Earnings, Yld. %(full)	10.58	10.66	10.74	10.80	10.79	10.86	10.83
P/E Ratio (net) (*)	11.77	11.70	11.59	11.53	11.54	11.46	11.09
Total bargains (Est.	27,337	26,721	26,047	25,205	25,919	26,099	25,089
Equity turnover £m.	—	775.24	664.51	565.95	499.13	459.76	410.35
Equity bargains	—	30,461	23,708	22,803	20,236	25,182	23,784
Shares traded (ml)	—	327.4	268.0	238.7	225.4	222.8	206.2

♥ 10 am 1193.7. 11 am 1192.0. Noon 1189.8. 1 pm 1191.6. 2 pm 1193.8. 3 pm 1194.3. 4 pm 1193.8. Day's High 1195.3. Day's Low 1189.5. Basis 100 Government Securities 15/10/26. Fixed interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest Index 01-248 8026. *Nil=11.34.

HIGHS AND LOWS — S.E. ACTIVITIES

—	1985/86 High	1985/86 Low	Since Compilat'n High	Since Compilat'n Low	INDICES	Feb. 7	Feb 6
					Daily Gilt Edged Bargains	120.5	134.4
Govt. Secs.	84.87 (16/10/85)	78.02 (28/1/85)	127.4 (9/1/35)	49.18 (3/1/75)	Equities Bargains	197.3	153.6
Fixed Int.	90.98 (28/10/86)	88.17 (28/1/85)	150.4 (28/11/47)	50.53 (3/1/75)	Value	1568.9	1345.1
Ordinary	1195.3 (10/2/86)	911.0 (25/7/85)	1195.3 (10/2/86)	49.4 (26/6/40)	5 day Average Gilt Edged Bargains	135.0	134.0
Gold Mines	536.9 (15/4/85)	217.6 (5/11/85)	734.7 (15/2/85)	43.5 (26/10/71)	Equities Bargains	158.6	150.1
					Value	1185.5	1084.6

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Mon Feb 10 1986

FIXED INTEREST

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb 3	Feb 14	May 8	May 19
Feb 17	Feb 28	May 29	June 9
Mar 3	Mar 14	June 12	June 23

For rate indications see end of Unit Trust Service

Demand for Options expanded and calls were taken out in Polly Peck, Coats Patons, Commercial Bank of Wales, Pavion, Pritchard Services, STC, Amstrad, Woolworth House and Rixson, Raine Engineering, BSR, S. R. Gent, Vosper, Acorn Computers, Colorolls, Quest Automation, Sound Diffusion, Enterprise Oil, Aberdeen Construction, Ratners (Jewellers), Cartons "A", Arthur Lee, Premier Oil, Midland Bank, and Cannon Street Investments. Puts were done in Amstrad, Dixons, Polly Peck and Reckitt and Colman, while double options were transacted in Acorn Computers and Hongkong Shanghai Banking.

RISES AND FALLS YESTERDAY

NEW HIGHS AND LOWS FOR 1985/86

NEW HIGHS (139)

NEW LOWS (15)

Managers ready to forego tax cuts

BRITAIN'S managers have told Mr Nigel Lawson, the Chancellor of the Exchequer, they are willing to forego tax cuts in the Budget in favour of spending more on infrastructure and education, and a substantial minority even supported higher taxes.

Dr John Constable, director general of the British Institute of Management, told the Chancellor: "We recommend that you do not proceed with planned cuts in personal taxation and reinvest the proceeds from the increased privatisation programme in the infrastructure and education."

Nearly 1,000 managers from around the country took part in BIM's annual pre-budget survey which for the third year running stressed the high priority attached to improving infrastructure.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 26,765

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

February 10 Total contracts 19,883 Calls 15,352 Puts 4,531 *Underlying security price

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Prices at 2.30pm February 10

[illegible]

F—No voting rights or restricted voting rights.

Indices

NEW YORK

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

TORONTO

[illegible]

[illegible]

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 45

[illegible]

NYSE COMPOSITE PRICES

Continued from Page 45

[illegible]

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Tr 8¾ 87/90	£90⁵⁄₁₆	+⁷⁄₁₆
Tr 13¾ 00/03	£119⅝	+ 1
Tr 2½ IL 20	£88¼	+⁵⁄₁₆
Aberd. Steak Hse	88	+ 7
BL	48	+10
BP	563	+10
Coats Patons	247	+ 9
Coloroll	170	+11
Commercial U	270	+10
Costain	488	+16
DRG	237	+12
Dawson Int	218	+10
Executex Cl	93	+13
GUS A	800xd	+48
Jaguar	473	+38
MEPC	312	+14
Mann & Co	260	+16
Metal Box	675	+35
Parkfield Group	295	+20
Polly Peck Int	161	+13
Reed Int	719	+14
Rotork	133	+14
Sears	119	+5½
Staffs Pott	94	+20
Thorn EMI	417	+13
Trafalgar Hse	322	+13
Utd Bisc	234	+ 6
Wire & Plastic	355	+19

FALLS

Inchcape	368	−17
Vantona Viyel	438	−12

NORTH AMERICAN QUARTERLIES

AMERICAN GENERAL
Insurance, mortgages

Fourth quarter	1985 $	1984 $
Revenue	1.4bn	1.4bn
Net profits	146.2m	148.5m
Net per share	0.97	1.01
Year		
Revenue	5.7bn	5.4bn
Net profits	465.6m	424.4m
Net per share	3.12	2.90

ANHEUSER-BUSCH
Brewing

Fourth quarter	1985 $	1984 $
Revenue	1.85bn	1.73bn
Net profits	79.2m	71.9m
Net per share	0.51	0.46
Year		
Revenue	7.68bn	7.16bn
Net profits	443.7m	391.5m
Net per share	2.84	2.47

GANNETT
Newspaper publishing, broadcasting

Fourth quarter	1985 $	1984 $
Revenue	619.5m	570.1m
Net profits	79.4m	74.5m
Net per share	0.99	0.93
Year		
Revenue	2.20bn	1.96bn
Net profits	253.3m	223.9m
Net per share	3.16	2.80

HOLIDAY CORP
Formerly Holiday Inns

Fourth quarter	1985 $	1984 $
Revenue	418.6m	429.5m
Net profits	24.5m	20.5m
Net per share	0.96	0.56
Year		
Revenue	1.8bn	1.76bn
Net profits	141.3m	131.0m
Net per share	5.06	3.59

Prices at 3pm, February 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from Page 44

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
		W W W								
32⅞	26	WICOR2.42		7.9	9	8	30⅝	30½	30⅝	
27⅜	18⅞	Wackht .60		2.3		19	25⅝	25¼	25⅝	+½
10¾	4⅞	Wainoc				88	6¼	6⅛	6¼	−⅛
34½	21⅛	WalMrt s .14		.4	29	3489	31⅞	31	31¼	+⅛
30¼	22½	Walgrns.50		1.8	18	1475	27⅞	27½	27⅝	−⅛
25⅜	18⅝	WkHRsg1.48				104	20⅜	20⅛	20⅛	
42½	31½	WalCSv .50		1.2	19	102	u42⅝	41¾	42¼	+¼
45	31	WaltJm1.40		3.1	8	482	45	44⅝	45	+¼
10¾	8½	WaltJ pf 1		9.8		y200	10¼	10	10¼	+⅜
59⅝	43⅝	WaltJ pf1.60		2.7		3	u60	59½	60	+1
32½	20⅝	Warnco .88		2.8	14	21	31¾	31⅝	31⅝	
40	28	WrnCm .50		1.4		3567	37¼	36¼	37	−¾
48⅞	33¾	WarnrL1.56		3.4		552	46½	46	46½	+¼

Continued on Page 43

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, February 10

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Unbridled surge in confidence

SURGING CONFIDENCE kept stocks on Wall Street moving ahead to new peak levels yesterday, *writes Terry Byland in New York.*

Investors continued to respond to indications of a strengthening US economy, a weakening dollar and to expectations that the inflation rate will remain low. Credit markets were sluggish, however, as hopes of an early cut in the federal discount rate waned ahead of this week's meeting of the Fed's Open Market Committee (FOMC).

At the close the Dow Jones industrial average was 12.96 up at 1,626.38.

The Dow composite and transportation averages, as well as the NYSE composite index, were also at peaks.

Optimistic views of the US economy were strengthened by Friday's news of healthy employment trends. A strengthening economy renders it less likely that the Fed will cut the discount rate. Some Wall Street analysts now forecast that interest rates will be forced higher by mid-year as the economy expands. Credit markets were additionally discouraged by the court ruling against the Gramm-Rudman legislation which will delay action to cut the federal deficit.

Stock market indices were boosted by the Detroit motor stocks, which responded to the decision of the big three to maintain aggressive output programmes despite indications of slower sales.

General Motors, which is believed to have trimmed production slightly this month, rose $1½ to $70⅝. Chrysler, which has increased production strongly, gained $1⅝ to $50¼, and Ford, at $65, gained $¾.

IBM advanced in good turnover, adding $1⅜ to $157⅛ and other firm spots among the computer manufacturers included Honeywell, up $1⅞ at $79¼.

After confirming trading losses, Commodore International, the personal computer group, remained unchanged at $6. Apple Computer was also unchanged, at $24.

The setback to Gramm-Rudmann, although now facing appeal to the Supreme Court, favoured defence stocks. General Dynamics, restored to the US Navy's contract bidding lists, gained a further $1½ to $73½.

As the enquiry into the shuttle tragedy proceeded, Morton Thiokol stock weakened $⅛ to $33⅞. Rockwell eased $¼ to $36⅝. But Lockheed, chief contractor to the shuttle project, added $⅜ to $47⅞.

With world oil prices likely to go lower yet, stocks of the oil majors were narrowly mixed. Occidental Petroleum, Dr Armand Hammer's group, $¾ to $26½ after results. Exxon, at $50½ was $½ better, and Standard Ohio $⅜ up at $46.

Among the industry service stocks, Schlumberger, which dominates the battered oil search business, edged up $½ to $32⅜ after confirming poor trading results.

Chemical stocks, which have responded strongly to falling prices for oil feedstocks, edged higher. Dow, still benefiting from results, added $⅛ to $44¼. Union Carbide, however, lost $⅛ to $82⅜.

A weakening dollar brought buyers in for pharmaceuticals. Merck, the industry leader, added $⅝ to $142⅞, while Upjohn, enjoying another bout of speculative support, bounded up $1¾ to $134¾.

Financial issues remained uncertain after their recent shakeout, unsettled by warnings of the likely effects of tumbling oil prices on Mexico, which is a major debtor. The money centre banks mostly edged higher. Chase Manhattan edged up $⅛ to $72⅜. But Citicorp shed $⅛ to $48½ and Bankers Trust $⅝ to $36.

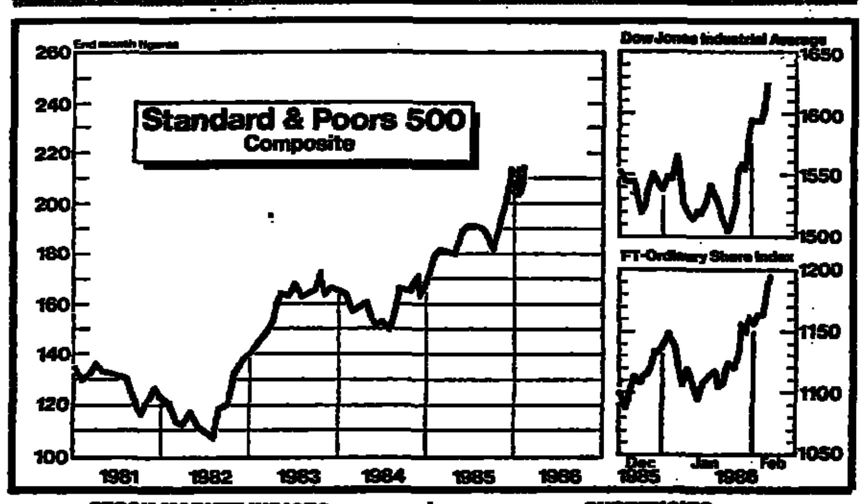
A dividend increase from Minnesota Mining & Manufacturing left the stock unchanged at $94⅜. Anheuser-Busch, brewer of Budweiser beer, added $¾ to $42⅝ after trading results. Anchor Hocking at $24⅝ was $⅝ off in minimal trading, also after results.

There was a sharp upswing in Walt Disney Productions, on reports of huge box office success for its latest film, Down and Out in Beverley Hills. At $123½, Disney bounded up $4⅝.

Short-term rates made little further move after rising strongly at the end of last week. Federal funds traded comfortably at 7⅞ per cent, with the market assuming that the FOMC meeting would leave credit policies unchanged.

Bonds edged forward in steady trading as last week's batch of new Treasury securities was absorbed by the market. Retail interest was light but sufficient to take stock off the books of the trading firms.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Feb 10	Previous	Year ago
NEW YORK			
DJ Industrials	1,619.95*	1,613.42	1,289.97
DJ Transport	766.50*	762.35	630.09
DJ Utilities	177.31*	178.75	150.80
S&P Composite	215.65*	214.56	182.19
LONDON			
FT Ord	1,195.3	1,187.7	991.1
FT-SE 100	1,461.5	1,445.0	1,295.3
FT-A All-share	709.37	702.16	622.89
FT-A 500	778.89	770.38	680.71
FT Gold mines	328.3	322.0	991.1
FT-A Long gilt	10.53	10.64	10.73
TOKYO			
Nikkei	13,226.07	13,212.13	12,009.0
Tokyo SE	1,058.90	1,055.50	924.45
AUSTRALIA			
All Ord.	1,068.9	1,069.4	772.6
Metals & Mins.	520.0	524.0	439.5
AUSTRIA			
Credit Aktien	117.96	118.17	82.30
BELGIUM			
Belgian SE	3,048.54	3,027.54	2,157.4
CANADA			
Toronto			
Metals & Minls	2,213.50*	2,227.57	2,183.00
Composite	2,795.8*	2,798.8	2,612.9
Montreal			
Portfolio	136.77*	137.20	131.67
DENMARK			
SE	227.12	227.61	173.11
FRANCE			
CAC Gen	288.1	284.9	198.9
Ind. Tendance	108.7	107.8	70.4
WEST GERMANY			
FAZ-Aktien	669.75	671.29	400.84
Commerzbank	closed	2,031.1	1,162.6
HONG KONG			
Hang Seng	closed	1,734.04	1,347.88
ITALY			
Banca Comm.	502.4	499.76	271.52
NETHERLANDS			
ANP-CBS Gen	256.2	255.1	199.6
ANP-CBS Ind	246.9	246.9	158.5
NORWAY			
Oslo SE	382.11	378.86	345.6
SINGAPORE			
Straits Times	closed	611.33	817.51
SOUTH AFRICA			
JSE Golds	-	1,215.6	907.1
JSE Industrials	-	1,066.5	862.6
SPAIN			
Madrid SE	110.39	110.06	82.77
SWEDEN			
J & P	1,861.9	1,840.6	1,484.5
SWITZERLAND			
Swiss Bank Ind	584.1	584.1	418.3
WORLD	Feb 7	Prev	Year ago
MS Capital Int'l	263.7	262.9	195.7

COMMODITIES

(London)	Feb 10	Prev
Silver (spot fixing)	422.65p	418.50p
Copper (cash)	£996.00	£994.50
Coffee (Mar)	£2,507.50	£2,435.00
Oil (spot Arabian Light)	n/a	n/a

GOLD (per ounce)

	Feb 10	Prev
London	$340.00	$336.50
Zürich	$340.25	$337.75
Paris (fixing)	$341.19	$339.25
Luxembourg	$338.50	$337.60
New York (April)	$340.80	$342.50

CURRENCIES

(London)	US DOLLAR Feb 10	Previous	STERLING Feb 10	Previous
£	-	-	1.4065	1.3995
DM	2.3855	2.402	3.36	3.3625
Yen	188.15	190.85	265.0	267.0
FFr	7.31	7.36	10.295	10.3
SFr	2.006	2.0285	2.825	2.84
Guilder	2.698	2.7225	3.8	3.81
Lira	1,622.0	1,631.5	2,284.5	2,283.0
BFr	48.8	49.2	68.75	68.85
C$	1.39675	1.406	1.9691	1.9656

INTEREST RATES

	Feb 10	Prev
Euro-currencies (3-month offered rate)		
£	n/a	12⅛
SFr	n/a	4⅛
DM	n/a	4⅜
FFr	n/a	15⅝
FT London Interbank fixing (offered rate)		
3-month US$	8⅛	8⅛
6-month US$	8⅛	8⅛
US Fed Funds	7⅞*	7⅝
US 3-month CDs	7.7*	7.85
US 3-month T-bills	7.20*	7.44

US BONDS

Treasury		Feb 10* Price	Yield	Prev Price	Yield
8½	1988	100[illegible]	8.07	100[illegible]	8.002
8⅞	1993	99[illegible]	8.877	99[illegible]	8.871
8⅞	1996	98[illegible]	9.039	102[illegible]	9.061
9¼	2016	99[illegible]	9.269	105[illegible]	9.329

Treasury Index

Maturity (years)	Return Index	Feb 10 Day's change	Yield	Day's change
1–30	139.03	+0.20	8.74	–0.02
1–10	135.60	+0.17	8.48	–0.02
1–3	130.20	+0.13	8.12	–0.01
3–5	137.74	+0.24	8.59	–0.03
15–30	151.35	+0.29	9.63	–0.01

Source: Merrill Lynch

Corporate	Feb 10* Price	Yield	Prev Price	Yield
AT&T				
10⅜ June 1990	100⅝	10.15	100⅝	10.15
3⅞ July 1990	86.662	7.50	86.662	7.50
8¾ May 2000	91.642	9.85	91.642	9.85
Xerox				
10⅞ Mar 1993	104	9.82	104	9.82
Diamond Shamrock				
10⅜ May 1993	101	10.42	101	10.42
Federated Dept Stores				
10⅜ May 2013	91.642	9.85	91.642	9.85
Abbot Lab				
11.80 Feb 2013	110.132	10.65	110.132	10.65
Alcoa				
12½ Dec 2012	108.286	11.26	108.286	11.26

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	85-00	85-02	84-21	84-21
US Treasury Bills (IMM) $1m points of 100%				
Mar	92.98	93.01	92.94	92.98
Certificates of Deposit (IMM) $1m points of 100%				
Mar	92.24	92.24	92.24	92.26
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	91.92	91.96	91.90	91.88
20-year Notional Gilt £50,000 32nds of 100%				
Mar	110-09	110-12	109-17	109-08

* *Latest available figures*

TOKYO

Record run unbroken on fifth day

SPECULATIVE BUYING, especially of lower-priced issues, sent prices to their fifth consecutive record as investors scurried to make purchases before today's national holiday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average added 13.94 to 13,226.07 for its eighth straight daily gain on volume of 400m shares, down slightly from last Friday's 421m. Advances led declines 414 to 410, with 143 issues unchanged.

Electric powers and oils were popular as the issues are expected to benefit from the yen's rise against the US dollar. But the uptrend tapered off later on profit-taking.

Both Hong Kong and Singapore were closed for the Chinese new year holiday.

Tokyo Electric Power firmed Y30 at one stage but ended unchanged from last Friday at Y2,920. Other powers and gases also lost popularity in late trading.

Nippon Oil remained in favour, climbing Y21 to Y887 with the second highest volume of 14.49m shares traded. Mitsubishi Petrochemical, the busiest with 16.68m shares, advanced Y28 to Y553 on lower naphtha prices which have resulted from the yen's strength and cheaper oil prices.

With the exception of these issues, trading focused on lower-priced issues for quick profits. Janome Sewing Machine plunged to Y843, but surged a maximum Y100 to Y900 at the end of the session. The upsurge was triggered by rumours that IBM of the US had bought shares in the company.

Miyoshi Oil and Fat put on Y39 to Y396 on heavy speculative buying in the hope of lower import prices of materials. Nippon Eternit Pipe soared a maximum Y80 to Y501, again on speculative buying.

Elsewhere, Mitsui Mining gained Y32 to Y703, Seika Sangyo Y28 to Y398, Chuetsu Pulp Y51 to Y539, Tokyu Hotel Y35 to Y885, Nippon Stainless Steel Y54 to Y421 and Tokyu Car Y44 to Y894.

Blue chips remained out of favour, with a few exceptions. Kirin Brewery added Y19 to Y842 as demand for beer recovered and JVC surged Y50 to Y2,410 after sales of video cassette recorders (VCRs) rose.

Litte interest was shown in large-capital and biotechnology-related stocks.

Bonds stayed weak in early trading but firmed slightly towards the close on speculative buying by banks and securities companies, sparked by the yen's climb above the psychological barrier of 190 to the dollar in late trading on the Tokyo Foreign Exchange Market.

The yield on the benchmark 6.2 per cent government bond due in July 1995 rose from 5.640 per cent to 5.670 per cent. The rate on the 6.5 per cent government bond maturing in December 1995 went up from 5.680 per cent to 5.735 per cent but dropped later to 5.670 per cent, reflecting brisk inter-broker trading.

SOUTH AFRICA

THE SHARP drop in the value of the rand only served to boost prices in Johannesburg yesterday.

Golds, reacting to the firmer bullion price – gold breached $340 an ounce – showed solid advances. Among the more expensive issues, Buffelsfontein rose R1.50 to R75, Free State Geduld added R1.75 to R68.75 and Driefontein gained R1.25 to R53.25.

Nedbank, South Africa's third largest banking group, ended unchanged at R9 despite news that its chief executive has resigned and the bank plans a rights issue to restructure its capital.

EUROPE

Three more enjoy view from the top

THE TEMPO of trading accelerated on the European bourses yesterday, producing record performances in three leading exchanges as a professional buying spree overwhelmed faint-hearted profit-takers.

Paris stood confidently on a new peak after last week's record-setting display. The French market is currently viewed by some, particularly British, investment analysts as having the potential of repeating this year the dazzling aerobatics that Italy offered the international equity market last year.

The bandwagon effect, needless to say, has to be distinguished from the genuine investment opportunity while the outcome of the forthcoming elections is not a foregone conclusion.

The CAC General index advanced 3.2 to a record 288.1.

Banks, stores and engineering stocks formed the core of yesterday's buy lists while some discreet selling in foods, which have acted as the cornerstone of much of the recent advance, was detected.

Hachette was one of the session's bright lights with a gain of 8 per cent – FFr 130 – to FFr 1,800 Peugeot, which finished the Friday session with a 12-month high, repeated the performance with a FFr 56 jump – a hefty 7 per cent gain on the day – to a new peak of FFr 776. This is set against data suggesting a contraction in the domestic new car market.

All was not sweetness and light *among building issues. Screg, which has* displayed recent volatililty, resumed the downward trek with a 9 per cent slump to FFr 107 although Bouygues picked up FFr 5 to FFr 1,040 on the back of last week's results.

Dumez firmed FFr 8 to FFr 1,058 amid plans for a one-for-seven scrip issue and a less-than-inspiring hint of flat results for 1985. The group's involvement in the proposed cross-Channel tunnel, although reflected in much of the current strength of its share price, has not appeared on the balance sheet yet.

Among export-heavy blue-chip food and drink shares Pernod Ricard added FFr 13 to FFr 868 and Perrier firmed FFr 23 to FFr 504. Moët-Hennessy, the champagne to rosebush group which looks as if it has cornered the market on St Valentine romance, put on FFr 19 to FFr 2,235. The group, which also markets top quality health care products, is *now firmly in the upper band of its trading* range but still FFr 200 short of its 12-month high.

Other features of a spirited session were a steady Elf Aquitaine at FFr 213 in the face of an unkind oil market which is still under the threat of overproduction and and/or slumping prices.

Matra added FFr 40 to FFr 1,600 while Club Med, repeatedly linked recently as a possible takeover/merger candidate with Wagons-Lits of Belgium, dipped FFr 1 to FFr 452.

The record run in **Milan** took the Banca Commerciale index across the 500 threshhold for the first time with a 2.84 jump to 502.40. The steam of the rally was again confined to a small band of international favourites with Fiat topping the industrials list. The car group added to Friday's peak showing with a fresh L298 surge to L6,999 compared with its 12-month low of L2,065. In after-bourse trading, prices touched L7,070.

Trust buying and overseas purchase orders swelled demand which also bloated Mediobanca L4,600 to L150,000.

A determined, and not unexpected, foray by profit-takers rattled sentiment a little as it combined with fresh fears of a new short-term political crisis within the Government.

Montedison thus finished only L10 higher at L2,869, just below its 12-month peak, while Olivetti, by now an essential constituent of any foreigner's shopping list, dipped L5 to L10,599.

Among insurers Ras added L775 to L172,975 while Generali was clipped back L500 to L83,500 and Toro slipped L240 to L30,050.

Market interest still remains firm among top-quality equities while second-line issues have yet to enjoy the full flourish of overseas support.

The slightly firmer showing in **Brussels** was still sufficient to take the Belgian Stock Exchange index to another peak with a 21 point filip to 3,048.54.

Petrofina, the exchange's bellwether, added BFr 40 to BFr 6,240 while Wagons-Lits reversed early gains to finish the session BFr 80 cheaper at BFr 5,000 on late confirmation that it had agreed to take over the Montparnasse Park hotel in Paris.

The move into secondary issues was noted with Bekaert BFr 430 higher at BFr 9,300 on suggestions that the wire products group may be seeking an overseas – US or Tokyo – bourse listing.

Chemicals, often moving parallel with oils, suffered from delayed profit-taking after last week's buying spree. UCB lost BFr 130 to BFr 5,960, Solvay surrendered BFr 90 to BFr 6,920

Frankfurt was more preoccupied with the final fling of Carnival than with serious bourse dealing. Ceramics group Rosenthal was one of the few to show signs of coherent life with its DM 17 advance to DM 366 while Deutsche Bank managed a more modest DM 8 rise to DM 799.50. Daimler stalled at DM 1,348 irrespective of its divestiture plans.

A lacklustre bond market saw the Bundesbank buy DM 9.5m of paper compared with Friday's meagre DM 6.5m sale.

Amsterdam finished mixed, **Stockholm** experienced a wave of buying triggered by lower domestic interest rates while **Madrid** edged higher in thin trading.

LONDON

Blue chips pave path to peaks

BLUE CHIPS and situation issues were the centre of attention in London yesterday where the FT-SE 100, which has lagged behind recently in the race to record levels, hit a high of 1,461.5, up 18.5. The FT Ordinary also peaked with a 7.8 rise to 1,187.7.

New investment was encouraged by a reappraisal of the affects of a lower oil price on the economy, hopes of tax cuts in next month's budget and the more remote chance of a reduction in the duty on share trading.

There appeared no shortage of funds despite the Wellcome share issue being 17 times oversubscribed. It attracted a massive £4.5bn.

Takeover targets prospered; Coats Patons gained 9p to 247p, while its suitor of two weeks ago, Dawson International added 10p to 218p. However, Vantona Viyella, 12p lower at 438p, seems set to carry off the bride in an agreed deal.

Gilts were strong in a market showing signs of stock shortage.

Chief price changes, Page 43; Details, Page 42; Share information service, Pages 40-41

AUSTRALIA

SCATTERED industrials and some banks were the main winners after a lifeless day of trading in Sydney yesterday.

The All Ordinaries share index gave up a small 0.5 to 1,068.9 and declines outpaced advances 221 to 219.

After rising sharply for the past two weeks, News Corporation succumbed to a bout of profit-taking to close 30 cents easier at A$12.20. TNT, the transport group in which News Corporation's Rupert Murdoch has a stake, rose 3 cents to A$2.92.

In other media issues, Fairfax gained 10 cents to A$7.60

BHP was unchanged at A$7.18 ex-scrip, while Robert Holmes à Court's Bell Resources, which has made a partial takeover bid for BHP, was also unchanged at A$5.10 ex-scrip.

CANADA

A MODERATE easing was evident in Toronto, but most sectors were little changed by mid-session.

Mascot Gold Mines gained 10 cents to C$4.50 after news that several banks had offered to finance its Nickel Plate gold project in British Columbia.

Among other situation stocks, Carling O'Keefe, which has agreed to import and market in Canada Australia's Fosters Lager, added C$⅛ to C$11⅞